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Marshman Williams Hazen

# The Key

to

# Wall Street's Mysteries

and

# Methods

By

H. M. Williams

New York
The M. W. Hazen Company

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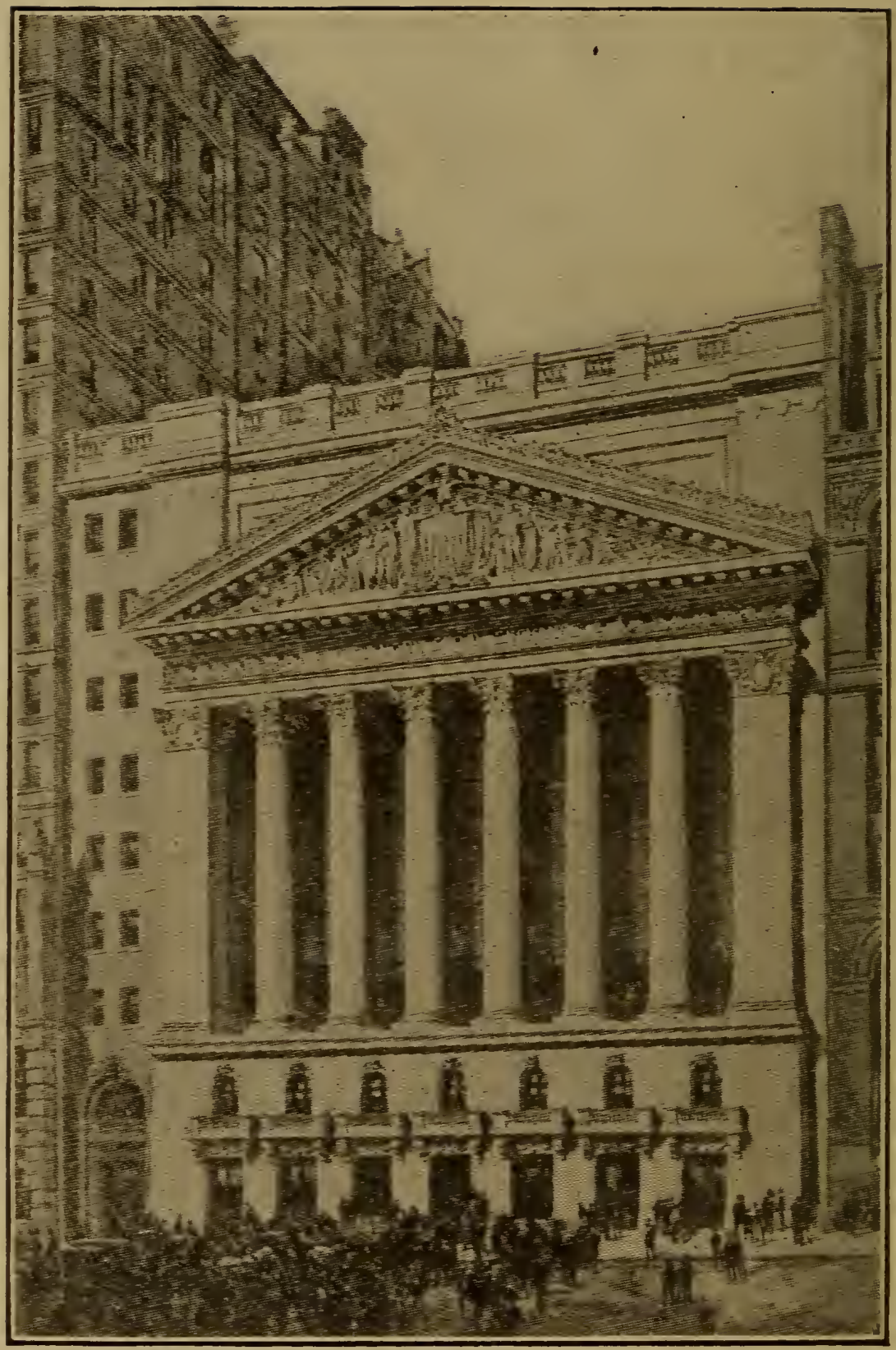
# Preface

*This Book* has been written as an Instructor and Guide in Investments, as well as in Speculation.

It is the outgrowth of many years of profitable trading, following years of doubtful results, during which the knowledge necessary for success was gained by costly experience.

Knowing the need of such a work, both to give information to the General Public in regard to matters of universal interest concerning financial methods, and to discuss intelligently the real foundations of successful trading, the author has attempted to outline briefly, but clearly and fully, the *Art* and *Science* of *Wall Street's Mysteries and Methods.*

"READ, NOT TO CONTRADICT NOR BELIEVE, BUT TO WEIGH AND CONSIDER."



NEW YORK STOCK EXCHANGE

# The Key
# to
# Wall Street's Mysteries
# and
# Methods

## In General

### Causes of Failure and Success

**Why do so many men fail to gain success in business? Why do so many speculators lose their money in Wall Street?**

**Why have you been generally unsuccessful both in speculation and in your investments in Stocks and Bonds?**

The answer to all these questions is the same.

Failure has been the inevitable result of a lack of knowledge of the fundamental principles that regulate, control, govern and ensure success.

Doctors, Lawyers or Ministers, before en-

tering their professions, spend long years in studying, and in digesting the knowledge they gain. The more thorough the preparation, the greater the probability of success.

The average speculator rushes into the stock market, ignorant not only of the laws that govern its fluctuations, but of the manipulations of the huge spiders that weave their webs to catch the unwary fly.

You probably have followed the same foolish course, and have been caught and hurt.

Success in stock speculation can only be assured by long and practical experience, aided by a thorough knowledge of values, of economic laws and of the system of manipulations that carries prices to extremes in either direction.

In order then for you to be in a position that will justify you in risking your money in *Wall Street,* you must either gain this knowledge and experience by independent speculation, which will undoubtedly prove very costly to you, or you must be guided at first by those who have had such experience, and who have learned the many moves in the great game of stock speculation.

## The Need of this Book

This work has been prepared by one whose success in *Wall Street,* and whose knowledge of the foundation principles of stock speculation, justify him in offering it to the public as a reliable, instructive and valuable guide, to those who desire to gain success by careful research and preparation, —as well as a *Study of Wall Street* that will be interesting to all classes of readers.

## Stock Speculation is Legitimate

Buying and selling stocks is as legitimate a business as dealing in real estate. Thousands buy lands and houses at extravagant prices and sell them later at a loss. Others buy them when prices are low, and later sell them at a profit. The reason for the success of one, and the failure of another, lies in the knowledge or lack of knowledge of the TREND of values as well as the REAL value of the property.

## Trading on Credit

If the buyer can not pay the entire amount for the property, he pays a part

down and runs in debt for the balance. He is doing business on credit.

The amount paid is the margin necessary to make the trade safe.

Trading in stocks is carried on in exactly the same way. You buy 10 shares of stock at $100 a share, pay $1,000 for it and it is delivered to you. Ten days later, you find you can sell this stock for $110 a share. You do this, deliver the 10 shares to the buyer and receive $1,100 giving you $100 gross profit on the transaction. This is *speculation* exactly the same as in your real estate transaction. You buy land, goods, stock, expecting to sell at a higher price.

## Overtrading

Too often this word, SPECULATION, is used to mean a venture involving unusual risks with a chance for unusual profits.

This OVERTRADING, taking too great risks, is the curse of business, of manufacturers, and of *Wall Street*. This causes hard times, panics, and failures of business firms and of corporations. It should be avoided by all who desire moderate but continued success.

The temptation to overtrading is greater in *Wall Street* than in real estate, because trades are so much more easily made, the profits may be much greater, and the trading done on the payment of only a small part of the purchase money (called margin), the rest being carried on credit the same as in any business.

Men in business often buy far beyond their means, because they believe they will make good profits. Sometimes they put up no margins, and the seller takes all the risk of loss. *Too good credit has ruined thousands in business.*

## Advice to Readers

*Avoid overtrading* in anything, and especially in *Wall Street.* Never risk more than you can lose without suffering. If you make a venture involving unusual risks for the sake of great profits, be sure that you will not be ruined if you fail, as you probably will.

*Keep out of speculation* until you have mastered this work, *unless* you are guided by the advice of a successful speculator. Do not follow friendly tips, nor advice of

Brokers. However well meant, these tips are generally bad and will cause you loss. Tips are usually given out to mislead, and Brokers are often so influenced by their market connections, as to be unable to understand the market movements.

## Take Small Risks at First

*Never risk at first all you can afford to lose.* Start in a small way and be satisfied with moderate gains.

Thus if you conclude to speculate, and have $1,000 you can afford to lose, begin with only $100. Put that with some THOROUGHLY RESPONSIBLE Consolidated Exchange Broker, and deal only in ten share lots. Trade only on the plans stated and explained in this book, and, on no account, put up more money with your Broker until you have lost the $100 already deposited. Have it distinctly understood and stated by your Broker, that this $100 shall cover all losses on your transactions. Thus your risks will be small, while, if you are successful, your profits will increase your deposit (margin) with your Broker.

If, before you begin speculating you have mastered this work so as to gain success, your profits will soon enable you to handle more stock, but *never try to do too much trading* on small margins.

By following this advice, even if you lose the first $200 or $300, you will, in a few years, before you have lost the $1,000 you started with, have gained enough knowledge to enable you to become successful, if you study hard and learn by experience.

It will add greatly to your chances of success, if you are guided by the experience of a successful *Wall Street* man, but even then you should study this book, and by comparing his advice with your conclusions drawn from this book, try to understand the method followed by your guide.

With this preliminary advice you will now be prepared to study this work.

## Wall Street

### What the Name Includes

*Wall Street* is a short, narrow street leading east from Broadway in downtown New York. It was at one time about the north-

ern limit of safe settlement on Manhattan Island, and a wall, or stockade, was built there across the island to protect the few settlers from the Indians.

In the Eighteenth Century, all the principal banks were located on *Wall Street,* the United States Sub-Treasury was established there, and it became the banking center of the city, and, in fact, the financial center of the nation. But banks and brokers increased, until *Wall Street* could no longer accommodate them, and they spread through New Street, Broad Street, Nassau Street, and up and down Broadway, until *Wall Street* is little more than a name to indicate the great financial center of the city, and, indeed, of the Nation.

Gathered here in an area scarcely a mile square, are the five great Exchanges, the Clearing House, scores of State and National Banks, Trust Companies, offices of great corporations, numberless bankers and brokers, and the United States Sub-Treasury, Assay Office and Custom House, as well as the great leaders of the industrials and railroads.

All the great European capitals have

similar financial centers. Thus Lombard Street is the *Wall Street* of London.

## The Exchanges

Dealings in stocks, bonds, grain, provisions, coffee and cotton, are carried on by countless brokers, who act as agents for buyers and sellers.

These brokers have offices and rooms for customers, where orders are received, accounts kept, etc. Many of them have large blackboards on which the varying prices of stocks are constantly shown.

The actual buying and selling are done in large halls or rooms in buildings called Exchanges. No broker can deal through any Exchange unless he is a member of it. In New York there are five leading Exchanges, the New York Stock Exchange, the Consolidated Stock Exchange, the New York Produce Exchange, the New York Cotton Exchange, and the Coffee Exchange.

These Exchanges usually own their own buildings, which are arranged in such a way as to facilitate trading among members. They operate on similar lines and some brokers are members of several exchanges.

# Brokers' Quotation Board No. 1

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Op | 67 | 80 | 46½ | 122 | 147 | 23 | 90½ | 116 | 117½ | 93½ | 44¼ | 26 | 57¼ | 23½ | 76½ |
| H | 68¼ | 80 | 47 | 123 | 148 | 24½ | 91 | 117½ | 118 | 94 | 45 | 27 | 51½ | 24 | 77¼ |
| L | 66 | 76 | 43¼ | 121 | 146 | 22½ | 87½ | 115¼ | 115¼ | 92¼ | 43½ | 25½ | 47¼ | 21¼ | 75 |
| Cl | 66½ | 77 | 44 | 121½ | 147 | 23 | 88 | 115¼ | 116 | 93 | 44½ | 26 | 47¼ | 21½ | 75¼ |
| | A | B O | B | S | St | E | M O | Cen | Pa | P O | R G | R I | S P | T P | U P |
| | 66⅛ | 77⅛ | 43⅞ | 121¾ | 146⅞ | 23 | 87⅞ | 114½ | 116¾ | 94 | 44½ | 25⅛ | 47 | 21 | 76 |
| | ⅞ | ¼ | ¾ | ⅞ | 147 | ⅛ | 87 | ⅜ | 117 | 93⅞ | ⅜ | ¼ | ⅛ | ¼ | ¼ |
| | 67 | ⅜ | ⅝ | ¾ | ⅛ | ¼ | 86⅞ | ¼ | 117¼ | 94 | ¼ | ⅛ | ⅜ | ⅛ | ½ |
| | 66⅞ | ¼ | ½ | ⅞ | ¼ | ⅛ | 87 | ⅛ | 117 | ⅛ | 44 | 25 | ½ | ⅜ | ⅞ |
| | ¾ | ⅛ | ⅝ | 122 | ⅛ | 23 | ⅛ | 114 | 116⅞ | ¼ | 43⅞ | 24¾ | ¼ | ½ | 77 |

This cut shows a part of the board simply to indicate how it is kept. Some brokers use chalk on a blackboard, others have printed slips that slide into grooves on the board.

On this board the first four lines show the Opening, Highest, Lowest and Closing of the stocks on the PREVIOUS DAY.

On board No. 2, the quotations run from left to right. Only the Opening, the Highest, the Lowest and the Last prices are given.

On some boards nearly all stocks are quoted as well as grain and cotton. On others, only leading, active stocks are shown.

Names of stocks are indicated either by the ticker abbreviations or more fully as each broker thinks best.

Sometimes the stocks are grouped under certain designations such as *Trunk Lines—Grangers—Industrials*, etc., while on others they are arranged alphabetically.

Some brokers show on their boards every transaction of leading stocks, indicating repeated sales by lines under the quotation. Thus, B. 73, with three lines under the figures, means, four sales at 73.

# Brokers' Quotation Board No. 2

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| A C | 50 1/8 | 51 | 49 1/8 | 49 7/8 | N Y C | 117 1/4 | 18 1/2 | 116 7/8 | 116 7/8 |
| Sug | 129 | 129 | 126 1/2 | 126 7/8 | P M | 29 1/4 | 29 3/4 | 27 1/2 | 29 3/4 |
| Atch | 71 1/4 | 71 3/4 | 70 1/2 | 70 3/4 | Pa | 123 1/2 | 123 3/4 | 117 5/8 | 118 |
| B O | 82 1/2 | 83 | 79 1/4 | 79 3/4 | P O | 102 1/4 | 102 1/4 | 97 5/8 | 98 1/8 |
| B R T | 47 1/2 | 49 1/4 | 47 | 48 7/8 | Rg | 51 1/4 | 52 | 46 5/8 | 47 |
| S T P | 147 1/8 | 147 1/8 | 144 1/4 | 144 1/4 | R I | 26 1/2 | 26 1/2 | 22 1/4 | 22 3/4 |
| Erie | 28 1/2 | 29 | 23 7/8 | 24 | S P | 51 1/4 | 52 | 47 1/2 | 47 3/4 |
| L N | 113 | 113 1/8 | 109 | 109 1/4 | U P | 76 1/2 | 85 7/8 | 76 1/4 | 84 5/8 |
| Met | 107 1/4 | 109 1/2 | 106 | 108 1/4 | U S S | 13 1/8 | 13 1/8 | 10 1/2 | 10 7/8 |
| M O P | 90 1/8 | 91 1/4 | 90 1/4 | 91 | W U | 83 1/4 | 84 | 79 7/8 | 79 7/8 |

## The Curb

"*The Curb*" is outside of any Exchange and is made up of "Curb-stone Brokers" who simply gather each day in Broad Street to deal in stocks and bonds not dealt in on the regular Exchanges.

Curb-stone brokers do not confine their trades to any particular hours, although they meet regularly during ordinary Stock Exchange sessions.

Many Exchange Houses have representatives on the Curb, but the Exchanges do not recognize sales made on the curb of LISTED stocks or bonds.

When the officials of any corporation wish to have its securities dealt in on the Exchange, they make a formal application to the officers of the Exchange, with a statement of the company's standing. If this is satisfactory the application is granted and the securities are "listed," that is, they are enrolled among the securities recognized as legitimate to be traded in by members.

Sometimes several brokers, whose customers want to trade in certain securities that are not "listed," ask that dealings in

them be permitted on the floor of the Exchange. This request is often granted and thus securities dealt in on the Exchange are divided into two classes—listed and unlisted.

Naturally there are a great many companies whose securities are not "listed," but still are in more or less demand. A certain class of brokers have always made a specialty of these stocks, and, finding it necessary to have some central place to meet for trading, they began to gather in Broad Street. But the "Curb" has never been organized and therefore you would better deal through some regular broker if you want to trade in curb stocks, since this gives you an assurance that you have not been cheated in your dealings, by curbstone manipulations, which are often used to give fictitious prices or to corner certain stocks.

Shares are often dealt in on the Curb, before they are issued. In such cases the deal is made w. i. (when issued). That is, when the stock is issued, it will be exchanged for the receipt you hold. When a security is "listed" its sale ceases on the Curb.

## The Stock Exchanges

Each of the Stock Exchanges occupies a spacious building in which is a large open space called the floor of the Exchange. Here the members, representing leading brokers, meet at ten A. M. and trade until three P. M., excepting on Saturdays when trading stops at twelve M., and on holidays.

The presiding officer sits on an elevated platform, where he can see the entire room. At exactly ten A. M. his gavel falls and the hall is instantly filled with a howling mob of brokers who seem to be crazy. They shout to each other, shake their fingers, make brief entries on memorandum books and apparently never stop to rest until at exactly three P. M. the gavel again falls and the noise is hushed to peace.

## Stock Posts

In order to assist members who have certain stocks to sell or to buy, posts stand in various parts of the Board room, to indicate where brokers can meet to deal in each stock. The stocks dealt in at each post are known by figures or letters.

## The New York Stock Exchange

*The New York Stock Exchange* grew out of the necessities of brokers. Before it was formed, when one had stocks to sell and another wanted to buy, trades were made by the brokers or their clerks going from office to office to buy or sell, as the case might be.

Each broker charged whatever commission his customers agreed to, for buying and selling. This made considerable competition. To avoid this, a meeting of twenty-four leading brokers was held under a tree opposite No. 60 *Wall Street,* and agreed upon a uniform commission for trades.

This was found so advantageous that several informal meetings were held and, at these meetings, considerable trading was done. When the brokers' business increased, it became almost impossible to carry it on successfully in the old way, and, in 1817, the Stock Exchange was formally organized.

After several changes in location, it finally, in 1865, met in a building opening on Wall and Broad Streets, and occupying the site of the present Exchange.

Meanwhile an "Open Board of Brokers" had come into existence, and was proving a strong rival. The Exchange arranged to absorb this in 1869. Then the "Gold Board," which grew out of the dealings in gold caused by the depreciation of currency during the civil war, was taken in by the Stock Exchange in 1879.

This Exchange is older than the *Consolidated Exchange,* which did not deal in stocks until 1884, when it "listed" stocks and began to compete with the older Exchange. In order to do this successfully its brokers allowed customers to deal in small lots of ten shares and upwards, while the older Exchange did not at least encourage speculation in less than one hundred share lots.

The Consolidated charged only one-half as much commission for buying and selling securities as was charged by the large Exchange, and this made considerable difference to the customer. In 1903, the Consolidated advanced its commission on less than fifty shares to one-eighth of one per cent. on each transaction, which is the regular rate in the large Exchange for all sales or

purchases. The Consolidated, however, retained its commission of one-sixteenth of one per cent. on each transaction of fifty or more shares.

Another advantage to customers on the Consolidated Exchange is that there are no interest charges on purchases not carried over Sunday, while the Stock Exchange brokers charge interest on purchases carried over night.

It is however often more difficult to buy or to sell on the Consolidated at quoted prices, than on the large Exchange, as the Consolidated is greatly influenced by the transactions in the Stock Exchange.

A membership (seat, as it is called), in the Stock Exchange, (which is not incorporated but is simply a voluntary association), ranges in price from about $60,000 to about $90,000, depending on the activity of the market. There are annual dues, and also an assessment for each death, in order to pay the heirs of the deceased member a gratuity of $10,000.

Seats on the Consolidated range from about $1,200 to about $3,000, according to its prosperity.

Generally speaking Brokers belonging to the Stock Exchange are stronger financially than those in the Consolidated, but there are many members of the latter Exchange that are financially strong and reliable.

A small trader will do better on the Consolidated, but a large transaction can probably be carried on more profitably through the large Exchange.

Each Broker has telegraphic and telephone connections with his Exchange, where their representatives are easily reached so that orders are promptly given, but Board quotations in all offices are of sales made on the large Exchange. A ticker (which is simply a printing telegraph), records on a narrow slip of paper in each broker's office, every transaction on the floor of the large Exchange, showing the stock, the number of shares sold and the price, thus:

| A | C | P | | | S | | | |
|---|---|---|---|---|---|---|---|---|
| $44\frac{1}{2}$ | . . | 200. | $\frac{3}{8}$ | . . $\frac{1}{4}$ | 500 . | 122 | . . 300. | $121\frac{7}{8}$ . . $\frac{3}{4}$ |

The code of honor that controls the trades on the Exchanges is without its equal

in any other business. No legal document could be more binding than the mere nod of a broker on the floor, or "SOLD" or "BOUGHT," spoken in reply to an offer of another broker. These trades are never disputed however great the loss may be.

## Various Securities

### Stocks—How Classed

When a joint stock corporation is organized, the ownership of its property is vested in the holders of its securities. These securities are stocks and various forms of indebtedness. Sometimes there are three classes of stocks, namely, the common stock, the first preferred and the second preferred.

The first preferred (or simply, the preferred if there is no second preferred), has prior rights over the common stock to dividends, and, in some corporations, to assets, in case of dissolution.

If the preferred stock is "cumulative," its dividends, if unpaid when due, ACCUMULATE as a charge against the company, and must all be paid before other stock can re-

ceive any dividend. If it is not cumulative, it has no claim for back dividends.

The second preferred must receive such dividends as it calls for, before the common can have any. Usually the preferred is limited in the amount of dividend it can receive, and, after that is paid, the common stock is entitled to the balance. But in some companies, the preferred is entitled to receive a certain dividend, then the common to receive the same, and after that, extra dividends are equally divided between the common and the preferred.

In most companies, control rests with the common stock, but in some, the preferred has equal voting power and in others, notably the Rock Island, the control is vested in the preferred.

Naturally, common stock that controls a company is more valuable than it would be without that power, and it also depreciates in value if the preferred is cumulative.

## Indebtedness Prior to Stock

Before a stock is entitled to any dividend, all fixed charges must be paid and a certain

amount reserved to meet extraordinary losses and the natural depreciation of the property. After the operating expenses are paid and the fixed charges deducted, the surplus belongs to the stockholder.

The "fixed charges" are (a) interest on the floating indebtedness; (b) interest on the funded indebtedness; (c) rentals; (d) taxes, and the sinking fund. Any unfunded indebtedness is called the floating debt.

The funded indebtedness may assume a great variety of forms, but not all of them appear in most companies' liabilities.

1. *Receiver's Certificates.*

If a corporation is in the hands of a receiver, he can issue Receiver's Certificates as necessary to keep its business from harm, and these certificates have the first claim on the property, taking precedence even of prior lien and first mortgage bonds.

2. *Prior Lien Bonds.*

These rank next to Receiver's Certificates and come before,—

3. *First Mortgage Bonds.*

These bonds, as their name implies, are

secured by a first mortgage on such property as may be given to insure their payment with interest. But their claims are subject to those of the two classes previously mentioned.

These may be followed by—

4. *Second Mortgage Bonds,* and

5. *Third Mortgage Bonds,*

that simply have what may remain after the previous claims are satisfied.

In some cases these bonds cover only certain divisions of a railroad, in which case *Extension Bonds* are issued which are secured by a mortgage on the extension.

When a road has several kinds of bonds outstanding in this way, it sometimes issues

6. *Consolidated* or *General Mortgage Bonds,*

in order to retire the miscellaneous bonds and, incidentally, generally to obtain new capital. Then there are

7. *Debenture Bonds,*

which have no specified collateral security. These sometimes carry the right of conversion into stock, and are then called

8. *Convertible Bonds.*

Next comes

9. *Collateral Trust Bonds,*

which are protected only by the securities of other corporations.

10. *Equipment Bonds,*

which are secured by a mortgage on the equipment purchased by their proceeds.

11. *Income Bonds,*

which have no security, but have a certain dividend only when earned.

12. *Land Grant Bonds,*

which cover the grants made to railroads by the government, to aid them in building their lines.

*A Bond* is a certificate of indebtedness, generally bearing interest which is cumulative, excepting Income Bonds. It should state (a) the amount; (b) the time and place of payment; (c) the rate of interest and when and where paid; (d) the total amount of bonds of its class; (e) the security if any; (f) and such other terms or conditions as belong to the issue, such as payment of principal and interest in gold.

Reports of various corporations should include all fixed charges, and these should be carefully considered before buying the common stock, that may be loaded heavily with so many burdens.

## Wall Street's Methods

### Buying Through Brokers for Cash

There are two methods of dealing through a broker in securities "listed" on the different Exchanges. First, you can buy and pay for the securities you want. In this case you give a written order for the purchase to your broker. This order would read about as follows, and is simply filled in on a printed blank by you.

* * * * * * * * * * * * * * * *
* ARNOLD & BROWN, *Jan.* 7, 1905. *
* 700 Wall St., N. Y. *
* Buy for my account and risk 100 shares *
* M. O. P. at ninety. *
* JOHN SMITH. *
* G. T. C. *
* * * * * * * * * * * * * * * *

In case you did not desire to limit the price paid to ninety, you would write in the blank space the words AT THE MARKET, instead of ninety, and your brokers would buy it for you at whatever price they were obliged to pay. Any honest broker would, in either case, give you the benefit of any drop in price before your order was executed. Thus if your order read ninety, and the stock dropped to eighty-nine and one-half, you would be charged only that price with the commission, which is always reckoned on the par value of the stock, and not on its selling price. You would therefore have to pay on 100 shares of Missouri Pacific at $90, $9,000, and one-eighth of one per cent. of $10,000 (par value) commission, which would be $12.50, on the large Exchange, or one-sixteenth of one per cent. ($6.25) commission, on the Consolidated.

Your stock would be ready for delivery to you on the next business day after it was purchased, on the Stock Exchange, and on the Monday following on the Consolidated, but the transfer notice on the back of the certificate would be left blank. If you wanted a certificate made out in your

own name, this certificate would have to be sent by you, or by your broker, to the transfer office of the Corporation, where the certificate you bought would be cancelled, and a new one issued in your name. After this is issued all future dividends on the stock would be sent to you by the Corporation whose stock you held.

## Buying on a Margin

The second method is the usual speculative plan of buying on a margin. This is done in the same way as above described, except that you neither pay for nor receive the stock bought, but leave it, and a certain amount of cash, with your broker as security for the balance due him.

Thus if you ordered your broker to buy 100 shares of Missouri Pacific at ninety, you would deposit with him as margin, say ten per cent. of the par value of the stock, ($1,000).

(In some cases brokers accept less margin, and in other cases ask for more, depending on the rapidity with which the stock moves up or down).

He buys the stock for you, for $9,000,

charges you with that amount and $12.50 commission and credits you with the $1,000 paid, leaving a balance of $8,012.50 due him. On this balance he charges you interest varying according to the prevailing rates, from four per cent. upwards, as long as he carries your stock. He actually buys the stock, pays for it and holds it, but credits to you all dividends belonging to it while it is so held. If the stock declined to eighty-one or eighty-two, your broker would ask you to put up more margins to protect the stock, and if you refused, he would sell it "at the market" and credit you with the amount received.

Thus if the stock dropped to eighty-one and was sold out after the interest amounted to $50, your broker would charge you with cost, commission and interest, $9,062.50, and credit you with your margin ($1,000), and the proceeds of the sales less commission for selling ($9,100—$12.50) which would be $9,087.50, leaving a balance due you of $25. This would make your loss on the trade $975.00.

On the other hand if the stock advanced nine points in the same time, your profits

on the trade would be $825 ($900—$75 interest and commission).

## Short Sales—Bulls—Bears

There are two classes of traders and brokers. One class believes that the prices of stocks will go up. They therefore buy stocks expecting to sell them at an advance. These traders are called *Bulls*.

The second class believes that prices will go down. They therefore sell stocks expecting to buy them back (cover) on a decline. These traders are called *Bears*.

The way in which stocks are first bought and then sold, has been explained and is easily understood. It is not so easy to see how one can FIRST SELL a stock that he does not control, own, or have in his possession, and afterwards BUY IT BACK.

Because neither the operation nor its advantage is understood, even by the average speculator, there is a great prejudice against "Short Selling," which is often condemned as gambling pure and simple. Besides, there is an element of mystery in the transaction, which troubles the speculator and inclines him to avoid short selling,

while the natural inclination of mankind tends to ACQUISITION and leads to buying rather than selling.

*Short Selling* is, however, just as legitimate as buying, as you will understand from the following explanation, and in certain markets, hereafter described, is likely to prove very profitable.

In *Short Selling* the stock is actually sold and delivered. It is not a mere paper deal, but is a legitimate trade in stocks. Your broker is your agent. If he buys stock for you, some other broker must sell it. If he sells stock for you, some other broker must buy it, and your broker must deliver it promptly to the buyer, or he will be dealt with by his Exchange.

Now if you are a *Bear* on the market and wish to sell ATCHISON at seventy, you give your broker an order to sell 100 Atchison at seventy. The order is telephoned to his representative on the Board, and the stock is sold. Now your broker must deliver 100 shares of Atchison to the purchasing broker at a certain time, and must therefore get it somewhere.

There are always on the *Board,* many

brokers who are carrying a great many shares of stock, and who are glad to loan it, if they can make anything by doing so. These brokers form what is called the *"Loan Crowd"* on the floor of the Exchange.

Your broker goes into the *"Loan Crowd"* and borrows from one of them, 100 shares of Atchison, giving him as security for the loan, $7,000, for which he generally receives a specified interest. If the stock is plenty, the interest is larger than if it is scarce, and sometimes, when it is very difficult to find a share of the stock in the *"Loan Crowd,"* your broker would receive no interest, but would perhaps have to pay a small premium for the use of the stock.

Your broker takes the 100 shares he has borrowed, delivers it to the purchaser, and the trade is concluded. In a few days, Atchison has dropped to sixty-seven, and you order your broker to buy 100 shares of Atchison at sixty-seven to cover your previous sale. He buys it on the *Board,* delivers it to the broker from whom he borrowed it, receives back his money and the transaction is completed.

Your profits would be $300—$25 (commission) = $275. You have no interest to pay on short sales. Indeed some brokers give large traders a part of the interest received on *Short Sales.*

Sometimes it is impossible either to borrow or buy the stock, and then your broker must go into the open *Board* and bid for the stock, or, if he cannot get it, settle as best he can with the broker to whom he sold it. This is called a *Corner,* and is the chief danger in selling short any stock, the supply of which is limited.

When one broker buys, whether for cash or on a margin, another broker must sell, and when one sells, another must buy. In both cases the stock sold and bought is delivered and paid for. One transaction is as legitimate as the other.

## Opening an Account

Having decided upon your broker, you deposit with him the amount you are willing to lose if the trades go against you. This is called a *margin,* and is placed to your credit. Brokers generally allow traders interest on balances due them, and al-

ways charge interest on all amounts due from customers.

If the trade goes against you, and most of your margin is lost, the broker requires more margin from you, and reserves the right to conclude the transaction at a price that will protect him from loss, if you do not increase your deposit.

Brokers should report all trades made, giving the name of the broker with whom they dealt.

You should get a separate report of every trade when concluded showing profit or loss, as you can understand this better than the complicated monthly reports, which require an expert to decipher, and prove correct.

There is a class of semi-brokers who run what is called *Bucket Shops,* that neither buy nor sell, but "bucket" your orders. That is, they assume the risk and pretend to have bought or sold according to Board quotations.

They usually charge more commission than regular brokers, and make their money both from commissions, and from the well-known tendency of the public to be on the

wrong side of the market. It is usually supposed that most of them are not square in their dealings, and therefore the mass of traders avoid them.

Their business is illegal, as it is simply betting on the course of the market, and to that extent, is gambling.

As you now have a good knowledge of the beginning of speculation, you are prepared to take up the study of the psychology of successful trading.

## Guides to Successful Trading

### Universal Market Movements

If you will study the history of the stock market, you will find that there are universally three distinct, well-defined movements always in progress.

### The Long Swing

The first and most important for the wise and patient speculator, is the great movement which extends over several years and carries prices to extremes of high or low, according as the trend has been up or down.

The length of this movement depends on

its rapidity, and on the condition of the country and its world connections.

Thus when the nation is increasing in prosperity, when exports are large, when crops are good and when labor is well employed, a *Bull* market will continue longer and carry prices higher than when business is depressed and crops are bad.

A *Bull* market is also checked, before it reaches the limit aimed at by its manipulators, by the same causes that made it possible, aided by the beginning of a natural recession in business.

Thus the great *Bull* market of 1902, was checked before it reached its possibilities, in spite of the frantic efforts of rich brokers and speculators to continue it, because the abundance of money looking for speculative investment, produced such a wave of inflated securities as to flood the market, use so much of the surplus cash as to raise interest abnormally, and cause business to hesitate.

*Wall Street* always discounts the future. It began at once to discount the fall in business that was inevitable. Stocks dropped more rapidly than they had ad-

vanced, and the decline discounted a business depression that would not be fully reached for a year.

A knowledge of this movement is essential to the greatest success. These movements occur in fairly regular periods of from eight to eleven years. *Bull* movements reached high points in 1864-1872-1882-1892-1902. These were followed by *Bear* movements lasting from eighteen months to two years. When *Bear* movements culminate, there follows a period of rest, the country gradually regains confidence, business improves and stocks advance.

This law of movements will be treated fully and illustrated by diagrams, later in this work.

## The Short Swing

The second movement is the temporary rallies and declines, a succession of which make up the main movement.

These last from ten days to a month or more, and are brought about by large speculators who think that the movement has gone far enough for the time in either di-

rection, and they are aided by profit taking on the part of others.

This movement is extremely confusing to a novice in *Wall Street,* and is by no means a simple one to gauge, even for the experienced speculator.

One must determine whether after a long decline, the rally is simply a resting point, or the beginning of a *Bull* market; or whether, after a long advance, the decline is a resting place, or the beginning of a *Bear* market.

Great assistance in determining these points, is given under the rules and suggestions made further on in this book.

There are many signs by which this movement may be known, and yet it proves too often disastrous for the speculator who misunderstands it, and who, therefore, takes the wrong side of the market.

Some of you may have been mislead in 1901 when the *Bull* market that culminated in 1902, was in progress. The sudden decline in stocks, increased and prolonged by the Northern Pacific corner, was taken to be the turning point, and floods of stocks were drawn on the market. But the de-

cline was only a pause in a *Bull* market, and the *Bears* were caught and punished.

## Simple Fluctuations

The third movement is the fluctuations lasting from an hour to a week, but generally culminating in three days or less. The length of this movement, like that of the others, depends upon its causes, and its promoters.

It is caused by the operations of floor traders, by rumors, by news, and, sometimes, by the attempts of powerful interests to test the market, in order to find out if it is ready for a decided movement up or down.

It is generally useless for an outside speculator to attempt to make money by following these daily fluctuations. His broker's commissions will take most of his profits when he happens to be on the right side, while he loses both the commissions and the fractional change, if he is wrong.

The floor trader, who has no commission to pay, can make a profit on a change of one quarter of a point, and this trading should be left to him.

If you have read as far as this page intelligently, you will see that successful speculation is an *Art* and a *Science,* and that, like the learned professions, it requires careful study as well as experience.

You are therefore the more willing to receive the suggestions that follow, in regard to the MODUS OPERANDI of successful speculation.

## Stock Movements

### Regular Ebb and Flow

Speculative values ebb and flow with a degree of regularity that is surprising to a novice. After a movement is well under way, it is not controlled, to any considerable extent, by the real value of the securities dealt in, since the speculator is more influenced by activity, than by a knowledge of values, and yet one should know these values, since certain stocks may resist the movement for a time, being held back or neglected by the manipulators of the movement, and later, on account of their value, or lack of value, offer the best opportunity for profits.

The principal movement, or *Long Swing* of the market, is of great importance. If you can follow that correctly, your profits will be enormous.

That this movement has occurred in certain fairly regular *Cycles,* no one can deny. That these *Cycles* have been determined by similar causes, and that the variations from regular periods, have been brought about by variations of these causes, are equally certain.

Therefore to arbitrarily measure those periods, and to claim that this measure will apply to the future, or even that it has always applied to the past, is wrong and fallacious.

At the same time the degree of regularity in these movements is very helpful, in studying the PROBABILITIES of future *Long Swings.*

From his knowledge of the past movements of the heavenly bodies, and of the laws that govern them, the astronomer can closely foretell their future relations with each other.

With a knowledge of atmospheric condi-

tions in various quarters of this hemisphere, the Weather Bureau can, from its chart, predict, with surprising accuracy, the weather the different sections will have at a certain time.

A change of relative conditions may deflect a storm movement, and may cause somewhat different weather from that expected, but even this change can be known by the observer in a particular section, before it reaches him.

In the same way, a knowledge of the laws that govern the general movements of the financial heavens, and an understanding of the relative conditions that may affect or cause changes not otherwise indicated, enable the close observer to prepare his chart so as to point out the general course of the market.

There may be hurricanes or tidal waves, but, in general, the rocks of disaster are plainly buoyed, and, with proper care and skillful guidance, a safe port should be reached.

You cannot expect to be entirely free from mistakes. No one is always successful. But you can and should learn how

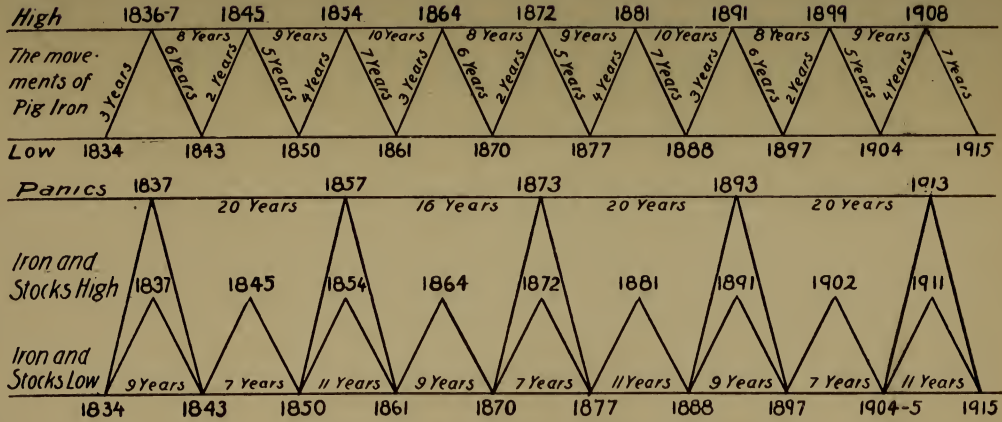
best to correct your errors, and should change your position promptly, even at a loss, when certain that you are wrong.

The market will not always move in one direction. Times, circumstances and conditions change; they affect the market; it changes, and you must be ready and willing to change with it.

On such intelligent forecasts of the market, successful speculation is always based, excepting in a few instances where "luck" may temporarily favor the reckless.

The following diagram will show the movements of the market in the past, and the indications for the future tendency, drawn from the past, although circumstances may, and probably will greatly modify and change it, since the crops, war, labor troubles and many other things may accelerate or retard the regular movements.

There may be exceptions to every rule, but, in general they serve to prove its truth, and emphasize its value. The reasons for these exceptions are usually understood and are helpful in applying it properly.




THE LAW OF CYCLES ILLUSTRATED

From this Diagram it appears that the tops of *Wall Street* movements are reached in periods of from seven to eleven years, and are invariably followed by liquidation, reaction, and business depression. The longer Cycles cover periods of from sixteen to twenty years, and because they extend further, naturally are followed by more disastrous results, that leave more lasting effects.

Thus the depressions after the longer Cycles culminating in 1872-3 and 1891-2, lasted longer and were more disastrous than that following the shorter Cycle that culminated in 1881-2.

The law of Cycles indicated the BOOM that ended in 1902, and the depression that followed. In fact the Boom of 1901-2 is, in many respects, analogous to that of 1881-2.

In each instance the Boom was preceded by large harvests, great business activity and prosperity with abundant money. Properties were loaded with excessive capitalization, and "undigested securities" produced financial dyspepsia.

The reaction due in 1902, arrived on time, and was analogous to that in 1882.

Then the market declined until October, 1883, when rallies and declines alternated until low prices were reached about a year later. After that, business began to improve, the railroads showed increased earnings, and stocks slowly advanced.

The conditions early in 1904 were better than those in 1884, and unless crops failed, or war prevailed, or some unforeseen disaster occurred, the decline should not have continued so long or have been so severe as that of 1884-5.

Improvement would be hindered and delayed because 1904 was the presidential year, which always disturbs business to a greater or less extent, specially if there is any prospect of a change of administration. But, as the prospects seemed to favor no change in the government, unless crops failed, improved conditions would be manifested before 1905, and business would soon afterward feel the change for the better.

This improvement, except for unforeseen setbacks, should continue for from three to five years, after which there should be two or three periods of severe declines, not however sufficient to bring prices nearly to the

level of 1903. These should be followed by another upward movement culminating in a period of excessive speculation, over capitalization, and overproduction in 1912-13, when the inevitable results will be a much greater decline in prices and business than in 1903-4.

But remember that these changes as indicated, may be varied by other conditions. While in general these Cycle movements have occurred with a fair degree of regularity during the last century, the causes that produced and regulated them were evident to the student of financial economy.

These causes are still operating, and, if they continue, the same results will follow. We must study them and be guided by them, rather than by mechanical arbitrary periods of time.

The movements in iron and stocks have occurred at fairly regular intervals, and panics have, for over a century, in this country and for about twice that time in England, varied but little from their twenty-year Cycles, and the reasons for those variations are so plain, as to hardly need explanation.

Thus there were but sixteen years between the panic of 1857 and that of 1873, but the rush of business and the depreciation of the currency caused by the war, together with the losses and extreme poverty of the South, naturally hastened the crisis that was inevitable.

Many financial writers are often misled in their conclusions because, in considering and comparing movements, they assume them to be governed by a single cause, when all great movements have been brought about by a union of several causes. Thus the earlier or later culmination of a decline or advance, as well as its extent and continuation, is governed to a considerable degree by influences that had nothing to do with its beginning.

It is a common error, for example, to suppose that the panic of 1893 was caused by such a change in the administration at Washington as threatened to modify the tariff. The causes of the decline that started 1891-2, were independent of political influence, and the results would have been reached, even if there had been no presidential election.

The change in Administration, and the accompanying Wilson-Gorman tariff, together with a feeling of uncertainty as to what else might be done to affect business, INCREASED the effects, and PROLONGED the duration of the depression.

In the same way, after the decline had culminated, a reaction came and would have come had the Democrats remained in power, BUT the advance was HASTENED and its results were INCREASED, by the election of McKinley, while his re-election in 1900, did not hinder the inevitable culmination, in 1902, of the upward movement.

An upward movement was in progress in 1851, and, in the first part of 1852, it increased in strength. The same is true in regard to 1856, while a good rally in a declining market came early in 1860. In 1864, the war had benefited business, and the first of that year saw a rapid advance that marked the end of the movement, in spite of the re-election of Lincoln.

In 1871, there was a rising market. The Presidential election of 1872 aided it to rapidly reach its culmination in 1873. In 1880, the market advanced without regard

to elections, since there was but little doubt as to results.

In the same way the elections of later Presidents have had their natural effects on markets whose movements were regulated and controlled largely by other causes.

## Dangerous Symptoms

There are certain indications of a crisis, that are an infallible guide.

Pig iron is said to be "beggar or king," and it has been a good barometer to indicate the future. At least one year (and usually two or three years) before a crisis, pig iron begins to go down in price, and, until it rallies, the times will not improve. Other indications are as follows:

New enterprises are started in untried fields.

Old companies, either alone or in combination, are largely over-capitalized, and stocks are watered without limit.

Business is stimulated and there is overproduction in nearly every line.

The expenses of corporations are greatly increased, salaries are raised, useless posi-

tions filled with favorites, and extravagance rules.

Speculation becomes rampant, not only on stocks but in cotton, grain, real estate and business ventures.

Labor troubles prevail and strikes are hindering progress.

To these signs are often added a diminishing purchasing power in foreign countries, (so that our exports decrease), a withdrawal of foreign capital, and a general distribution of stock among the people.

## Favorable Symptoms

There are also certain conditions that tend to prosperity and help to improve the times, and you may see better prospects when,—the monetary system is fixed on a good basis,—the crops are good,—the proportion of exports to imports increases,—the imports are largely raw material or things that we do not produce,—there is a greater increase of gold production than of increase in its use,—there is a fair demand for productions, increasing rather than the reverse, —the earnings of corporations show a net increase,—the increase of capital is used to

benefit, expand and perfect old enterprises rather than in starting new ones,—labor and capital cease quarreling.

## Manipulation

### The Wheel Within a Wheel

We have considered some of the factors in the movements of stocks, but one of the most important has not been mentioned. Manipulation is the wheel within a wheel that governs most of the fluctuations in stocks outside of the long swing. The insiders plan nearly every movement in advance. THEY know the REAL conditions of listed stocks, which conditions the outsider is ignorant of. THEY study the condition of business, of money, of foreign nations, of crops and of politics. Then they are ready to move.

When they conclude to advance stocks temporarily or for a considerable rally, pools are formed in certain stocks, bear tips are circulated broadcast, money is called in, interest is raised, and all the familiar Bear news is printed in the papers, talked over in brokers' offices, scattered 'round in finan-

cial reports and reproduced in "letters," and the public are induced to sell all they have, and more.

Certain stocks, generally those of intrinsic value, are selected to lead the advance, while others are let alone, and still others are forced down, in order to conceal the fact that a *Bull* market is under way.

The leaders usually move rather slowly at first, and then they go up more rapidly, while the low priced stocks begin to show that they are becoming affected by the movement.

After the leaders have nearly reached their tops, the minor issues are taken up by insiders, while the public are buying the stocks that have already had their advance.

By this time, even the lambs know that a real *Bull* market is in progress, and they rush in to buy. For a time everybody makes money. Brokers are crowded with orders. All tips are Bullish. The papers see no clouds in the sky. "Buy, buy, buy," is sounded even by old Trinity's chimes.

Meanwhile the leading stocks have been strongly held, but the insiders have been unloading on the public, who have been

tumbling over one another to get stocks. When the stocks have been pretty thoroughly distributed, the market halts, goes up half a point, then down a point or two, and then up again.

"Only a natural rest or a little reaction in a *Bull* market," the brokers and tipsters say. "A is going twenty points higher; B will touch 200," etc., and yet the market halts. Manipulation has ceased. The market soon naturally begins to drop.

(Remember that all upward movements are manipulated. Stocks never go up of their own accord. The market declines when it is not supported. Usually all campaigns end on great-volume days.)

Now that support is withdrawn, the market will naturally decline, but many outsiders are still buying. They must be supplied with all the stock they want. Therefore insiders begin to sell short. All bids are taken. No one cries in vain for stock.

Soon, bad news begins to circulate. Poor prospects for crops. Decreased railroad earnings. Tight money. Gold exports, and the thousand and one rumors are spread, that are put out to frighten the public. The

*Bear* market is under way. Day after day it gathers force. Brokers demand more margins from the lambs who still look for a grand recovery. By and by the public begins to take its losses. Then, when the bottom is in sight, it sells short. By this time the insiders cover their shorts, get ready for an upward turn, and the same old game is played again.

A few outsiders learn to play it correctly, but the masses never will understand that they must buy when stocks are cheap, and sell when they are high. Besides, there is a new flock of lambs to be sheared every year.

## Rallies and Declines

These movements are, of course, attended with frequent breaks on a rising market, and with as many rallies in a *Bear* market as may be necessary to catch "stop loss" orders, to shake weak followers out, or to induce the public to come in on the wrong side.

## Our Natural Inclinations

We naturally feel timid about buying stocks after a big decline, when it looks as

if there were no depths to which they might not descend, or to sell them at the top, when they seem to be bound out of sight.

Our inclination is to follow the crowd, especially in a *Bull* market. Manipulators take advantage of this weakness, and we are led to buy when we ought to sell, and to sell, when we should buy. In fact if the outsiders would always do what they think they ought not to do, they would stand a better chance to make money.

If you learn to read the signs of the market, so as to know what its manipulators are doing, and then refuse to be misled and confused by feigned movements and flying rumors, you will be much better prepared than most speculators to act wisely on your trades.

## Selection of Stocks

### Low or High Priced Stocks

You have already learned that, at the beginning of a campaign (*Bull* or *Bear*), you should select for your trades the high-priced stocks of intrinsic value, as they will move first, and that, towards the end of a move-

ment in either direction, you should get out of these stocks and deal in minor issues.

Whether you should confine your trades to a single stock or not, depends on circumstances. Some speculators will assure you that, if you scatter, (deal in several stocks), you will certainly lose money, while others, with equal confidence, will tell you that it is wise to trade in several stocks, in order to stand a better chance of making something on one of them.

If your margins are small, deal in but one stock and in small lots of that.

If you have followed the movements of one stock in particular, and know its ups and downs, and its real value better than you know other stocks, deal in that stock only.

If, on the contrary, you have large margins, and have studied carefully three or four stocks, deal in as many of them as you think best, WHEN THEY REACH YOUR PRICE AND VOLUMES.

Remember that the market will not disappear. Like the poor, it will always be with you. You will always have the opportunity to trade. Act, therefore, only

when you are certain that it is wise to act. You are not obliged to trade every day.

## Active and Inactive Stocks

You will notice that certain stocks have good movements and fair volumes daily. These are the best stocks for quick trades, because you are always sure that you can sell or buy them almost as soon as you give the order, and you can judge better of their immediate movements, than of the fluctuations of the inactive stocks.

## Stocks — Widely Distributed — Closely Held

Some stocks are widely distributed, that is there is a large number of shareholders. Others are closely held by a few financiers. The latter may lead in a *Bull* movement, while, in a *Bear* market, the former decline the most rapidly, after they get started downward.

Therefore select the widely-distributed stocks for short sales. If the steel stocks had been owned by twenty big capitalists, they would not have gone down as fast nor as far as they did go.

You will also find some stocks that are so closely held as to enable the owners to create an artificial scarcity of them in order to "squeeze" the shorts. These stocks can not, at times, be borrowed from the "Loan Crowd," and may command a premium, even if they can be borrowed.

Be careful not to sell these shares short, because, if there is any considerable short interest in them, insiders may refuse to loan them. Then your broker would not be able to get them, the shorts would be "squeezed," and made to pay high for the stock, or be obliged to settle on extortionate terms, as in the celebrated Northern Pacific corner. Remember, however, that a squeeze seldom lasts more than three days and that the stock may then drop even lower than it was when the "squeeze" began.

## Market Leaders

Certain stocks are selected by manipulators as leaders of the market. St. Paul and Steel were made the leaders in 1903. You can usually choose the leaders by noting the volumes for a short time.

In 1904, Paul seemed to be the guide, and, "as goes Paul, so goes the market" was a *Wall Street* proverb. Other stocks will be added as leaders, and Paul may be displaced, but there will always be one or more leaders that will correctly indicate the general movement.

At first select an active stock and deal in that only. Keep a record of its movements (with several more as advised later), up or down, together with its volumes. If you find that each movement carries it to higher levels, wait till it breaks sharply, and then, if it does not reach its last low bottom, buy a small lot of it. When it rallies, sell it out at its previous top or a little higher, and wait for it to decline again before buying more.

This will give you experience, and teach you how to decide in regard to movements, and to act independently of reports and rumors.

If you buy ten shares of a stock, and it still goes down, buy ten more two points lower and sell when you have a clear profit on both lots, unless you decide that the stock is really going much further down, in

which case, instead of buying the second lot, sell the first at about one-quarter below the previous bottom, and wait, before trading further, until you have got your bearings again.

The complete systems that will prove your best guide, in buying and selling, are fully explained later in this work.

## Small Regular Gains

Perhaps you think that this beginning is too small for you to make much money in your trades. Well, even so, it will also protect you from making big losses when you are learning, while if you are successful, it will be the beginning of a fortune.

It is much better to gain a little each month, than to lose considerable each week. "Haste makes waste," is a true proverb.

If, beginning with twenty share lots, you win but ONE POINT A MONTH, in ten years, allowing your profits to be added to your margins, and increasing your trades proportionately, you will have made nearly a million dollars, as shown in the following table.

| Margins | Points Profits Yearly | Number of Shares Handled | Total Profits |
|---|---|---|---|
| $200 | 12 | 20 | $240 |
| $440 | 12 | 40 | $480 |
| $920 | 12 | 100 | $1,200 |
| $2,120 | 12 | 200 | $2,400 |
| $4,520 | 12 | 1,000 | $12,000 |
| $16,520 | 12 | 1,600 | $19,200 |
| $35,720 | 12 | 3,500 | $42,600 |
| $78,320 | 12 | 8,000 | $96,000 |
| $174,320 | 12 | 17,000 | $204,000 |
| $378,320 | 12 | 37,000 | $444,000 |
| $444,000 | | | |
| $822,320 | Total am't at the end of ten y'rs. | | |

This table shows the POSSIBILITIES of conservative trading on ample margins, beginning with only $200 and taking no great risks.

A thorough study of this work, careful, safe trading, and a fair amount of business common sense, certainly should enable one to average a SINGLE POINT A MONTH on the number of shares traded in.

In fact, in a good market, one should often clear a single point in a week or less,

which, using profits as margins, would, without pyramiding, amount to nearly a million dollars in less than three years.

This illustration is given, not to encourage speculation, but to prove that large profits daily are not essential for great success. On the contrary, those who attempt too much, will make too little. Be careful, conservative, and satisfied with small trades and sure profits at first, and do not risk these for more.

"He that hasteth to be rich shall surely come to want."

## Market Records

### Charts

Charts are simply a bird's-eye view of market movements. Properly kept, studied and understood, they are of great value. As usually kept, they often mislead and are misread and harmful.

So few speculators understand how to keep Charts and still less how to read them, that financial writers usually decry their value. Some, however, who have made

more of a study of systems than others, admit their place and use.

Thus the celebrated financial writer, Edward A. Bradford, says "Markets have their moods and rules just as certainly as values have their laws. For those who profit by trading, good market judgment is more essential than correct estimates of values.

"The very point is that the market has abnormally divorced itself from values as determined by yield in proportion to price, and is concerned more with the relation between the weight of the buying or selling, or with the excess of supply of securities in proportion to the capital available to absorb them, or with sellers' necessities.

"At such times it is instructive to note whether the rise or the fall is the more persistent, whether the activity and volume corresponds with the advance or the decline, and whether the turns of the market obey such considerations, or alter with apparent changes of intrinsic conditions.

"In other words these are times when market students are concerned more with the market as a whole, than with the merits of specific properties.

"It is a time pre-eminently adapted for the study of averages and Charts, which throw no light on values individually, but are an aid to estimating the trend of business which has lost its bearings and is in process of finding itself.

"It is ALIUNDE to say that such lore is worthy only of gamblers. It serves their turn, to be sure, but it will also avail to save BONA FIDE buyers from the chagrin of paying more than they need, or of accepting less than might be had, if the sales were placed on a rising instead of on a falling movement."

This is very true, and those who claim that Charts have but little value, are those who do not know how to keep them, and who still less realize that the key to the knowledge they give, must be gained by a study and comparison of the varying conditions that always accompany stock movements.

A Chart to be of value, should be a record of the daily movements of three or four leading Industrials, and of at least ten leading Railroads. To these should be

added minor stocks, when you begin to trade in them after the movement in the leaders is over.

The Chart should show the daily tops and bottoms and volumes of each stock, and the total daily market volume of all sales, as well as the weekly and monthly gains or losses, and volumes.

A sample Chart page is given later to illustrate methods of keeping and reading it, as it is useless to keep a Chart unless one can interpret its meaning. In order to do this, you must study the causes of the varying movements, and, uniting the two sources of information, become competent to read "between the lines," the plain writing that is invisible to the careless observer.

If you keep a Chart properly, you will notice that the market is moving in a certain direction. This may indicate the first movement (the Long Swing), or the second movement (the Short Swing), previously described. When each top is higher than previous tops on leading stocks, and the bottoms do not touch previous low prices made after the rally began, you may buy stock on EVERY DROP and close it out when

the next top, a little higher than the last, is reached the second time.

Thus, if Atchison has made tops and bottoms as follows,—top sixty-five—bottom sixty-two and one-half=top sixty-six and one-half—bottom sixty-four=top sixty-eight —bottom sixty-four and one-half you could begin to buy at sixty-five, and could sell your purchase at sixty-eight and one-half to sixty-nine.

If the tops advance about the same amount in each rally, and the differences between bottoms decrease, as in the illustration given, you may feel quite certain that you should sell your holdings at about the last top. Then if the next top shows a marked decrease from previous advances, be careful how you buy the stock, as the movement may halt or be over for the time. Indeed if the last top is touched twice, and the stock halts and hesitates, you should at once sell your holdings, and perhaps, sell short on a scale up, for at least a temporary decline.

That is, if Atchison stopped at sixty-eight, on the second movement, you should have sold all your stock and about one-third

as much more. Thus, if you hold sixty shares, sell it at sixty-eight to take your profits, and also sell twenty short. Then if the stock drops to sixty-six, cover it. If it advances to seventy, sell twenty shares more, and at seventy-two twenty more. Cover all this stock on one point average profit, if the market moves down slowly, but, if it drops rapidly and easily, after it has reached your lowest selling price, (sixty-eight), put a stop loss of one point from the lowest point touched and let your profits run.

*Stop Loss* orders, and buying or selling on a scale, are explained under *Systems of Trading.*

## Reactions

In an advancing market, a reaction will always come sooner or later, and will generally be from one-third to one-half of the last advance. Thus, if Atchison, in the above deal, began to move up from sixty and reached sixty-eight before a reaction came, it should drop to sixty-six at least, and perhaps to sixty-four, before the next upward movement began. To be safe, you should

cover at sixty-six, or put a stop loss of a point, so as to ensure some profit. Then, if it reached sixty-four, you should cover your short sales and begin to buy on a scale down.

Remember that, while fluctuations occur daily, their extent in either direction depends on whether the movement of which they are a part, is an advance or a decline in a longer or shorter general movement.

## An Allegory

### The Road to Success

Mr. Smart set out one day to go to Successville from Safetown. He knew the general direction and had a road map to guide him. Besides there were sign posts at all cross roads, and they were usually easily read.

He found at first, the road broad, smooth and pleasant, and his horse trotted rapidly along towards his destination.

His journey was so delightful that he failed to notice the guide posts at the cross roads, but drove along merrily, thinking of the good time he would have at Successville.

Suddenly his horse began to stumble, his carriage bumped against huge rocks and stumps, and dark clouds hid the face of the sun.

Before he had time to realize what had happened, his horse was down in a bog, his carriage was upset and broken, and he was thrown out into the mud and mire.

He staggered to his feet, and, with great exertion, managed to get his poor horse on solid footing, but the harness was broken, the carriage was utterly ruined, and, do what he could, not even a wheel could be saved.

So, making the best of a bad matter, he started homeward on foot, leading his horse. As his eyes became accustomed to the darkness, he found he was not alone. Groans, curses, complaints of ill luck and moans of the injured filled the air. On every side of him were scores who had started, as he did, with fair prospects in the morning, but who had misread the signs, or had carelessly pushed on, until they fell into the same bog that had caught him.

Some had saved their horses; others had recovered horses and carriages, but the har-

nesses were broken and the carriages nearly ruined; while still others were not able even to extricate themselves from the dreadful slough.

Those who were able, picked their way back to Safetown as best they could, determined never to go outside its borders again. The others, left in the mud and mire, never came home.

HAEC FABULA DOCET that those who believe the road to Successville is straight and plain, and who do not study their guide books, or ask the way, or read the sign posts, will invariably go wrong to their own hurt.

## Guides by the Way

### Sign Posts

Watch the volumes of sales on leading stocks. If there are but few shares sold when the price declines, while the volumes increase on an advance, the market will probably go up.

If, after a decline or a dull market, the rallies exceed the declines both in points and volumes, you may look for higher prices,

as this indicates accumulation of stock by insiders or pools, preparatory to an advance.

When the public is buying, you may begin to sell, and when the public sells, you may buy.

When a market advances slowly, and everybody is waiting for a reaction before buying, generally the advance increases in size and volume, and the market has an extended movement.

When, after a decline, the market has had only slight fluctuations for some time, and then come two or three very dull days, you may conclude that few stocks are being pressed for sale, and that the market is near bottom. If then the leaders advance with increasing volumes, a fair rally will probably set in at once.

When the public is universally short, stocks are put up to make the shorts cover.

*Wall Street* anticipates. When good news is EXPECTED, buy stocks, but sell them as soon as the news becomes a public certainty. When bad news is EXPECTED, sell stocks, but cover when the bad news is all out.

After a long and severe decline, when the air is full of rumors of failures, tight money, damaged crops, etc., AD LIB., and the market seems to be on the verge of a panic, note the bottoms, and buy with great confidence, when these bottoms are again reached.

Rallies occur in every *Bear* market, but the TURN in the tide comes, and a *Bull* market begins, when a semi-panic causes liquidation and lowest prices are reached on largest volumes.

When a new movement in either direction, goes further than the last similar movement, it generally returns to the last top or bottom before it goes far beyond it.

In a *Bull* market, when the second movement has brought a rally of from five to fifteen points,—a day of large volumes, great excitement, and pronounced advances, will mark the temporary top of that Swing, and perhaps the end of the *Bull* market.

Minor movements in either direction, culminate in from three days to two weeks. If stocks have moved up or down for three days continuously without a reaction, and with increasing volumes, especially if those

days are Friday, Saturday and Monday, with the greatest movements and the largest volumes on the last day, take the other side of the market at the extreme price of Monday, and you will have quick, good profits.

However market leaders move, minor stocks are sure to follow them to a less degree.

Gossip is manufactured to suit manipulation. If you heed it at all, go contrary to it.

Always trade on large margins. Buy on good breaks and sell on good rallies.

If you deal in a doubtful market, always protect your trade with a STOP LOSS, but it is better still to let such markets alone.

## Systems for Trading

### Pet Schemes

You will hardly find an old *Wall Street* speculator who has not a pet system which he believes to be good, even if it is not infallible. The more money he has lost by using it, the more certain he is that the

system is good, and that the fault, when it does not work, is his.

Every *System* has its good points in favorable markets, and its weaknesses under unfavorable conditions, and no *System* is worth a moment's notice, unless handled with due regard to market conditions.

Test the various *Systems* given, and your judgment and skill in using them, THEORETICALLY, by selecting two or three stocks and following the *Systems* for a week, from the quotations of stocks selected, without doing any actual trading. This should show you which plan is best for you, and also prove whether you can use any of them successfully.

## A—Safety Scale Trading No. 1

To use this *System* you must have large margins. $1,000 will amply margin trades beginning with ten shares, and $500 would be plenty in four cases out of five.

With $1,000 margin you should make a profit nine times out of ten, if you follow the *System* EXACTLY, even if you make some blunders in your conclusions that a temporary top or bottom has been reached.

After a severe decline, when the leaders are down from five to fifteen points on the last movement, and the minor stocks have declined proportionately, while the whole market seems weak, and the volumes are large, if you think the bottom has been reached, select your stock that has had a good decline on large and increasing volumes, and buy ten shares.

If this stock has been going down three-fourths of a point or more a day, for two or three days before you buy, take on twenty shares more two points down, forty more at four points down and eighty more at six points down, if the decline extends so far without a rally of two points, which, however, will not be the case once out of twenty times.

If the movements have ranged from one-fourth to one point daily for a week or more, and have suddenly increased in extent to from one to two or three points in a single day, with a corresponding increase in volumes during the last two or three days, especially if those days are Friday, Saturday and Monday, you can buy the twenty, forty,

and eighty shares on declines of a single point instead of two points.

If you have judged correctly, and really began to buy near the bottom, and the stock advances so that you bought only ten shares, buy more stock on advances, using Systems *B, C* or *F,* or take your profits after a few points rise, or put a stop loss one point below the highest price reached, and let your profits run.

The following illustration will show how to carry out this *System.*

Atchison had gone down to sixty. I thought it might go lower, but that it would certainly rally later several points. So I bought

| | | | |
|---|---|---|---|
| 10 | Atchison | at | 60 |
| 20 | " | " | 58 |
| 40 | " | " | 56 |
| 80 | " | " | 54 |

It went lower than I expected, as there were severe attacks on the market by *Bears,* causing much liquidation, but I knew there must be a good rally, and was ready to continue buying down to fifty, if the decline extended so far.

It stopped at fifty-four and began to rally.

I was sure it would go to sixty at least, and held my stock for that figure. As I was carrying only 150 shares, I planned to buy more on the advance.

When the stock touched fifty-six, I bought forty shares more. (You can see that at fifty-six I had a gross profit on all my trades of $80, so that I had plenty of margin). At fifty-eight I took twenty shares more. When it reached fifty-nine I put a stop loss of two points below the market, and stopped buying. At sixty-six, I sold out all my stock making my profits as follows:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 10 | At., | b't | at | 60 — | Sold | at | 66 — | Profit $60 |
| 20 | " | " | " | 58 | " | " | 66 | " 160 |
| 40 | " | " | " | 56 | " | " | 66 | " 400 |
| 80 | " | " | " | 54 | " | " | 66 | " 960 |
| 40 | " | " | " | 56 | " | " | 66 | " 400 |
| 20 | " | " | " | 58 | " | " | 66 | " 160 |

| | |
|---|---|
| Gross profits..... | $2,140 |
| Interest and commission..... | 74.50 |
| Net profits..... | $2065.50 |

In this deal I was very conservative, but I believe in taking as few risks as possible, and, when I began to buy, everybody was bearish, and I had only $1,500 margin.

If I had followed my own system, I should have largely increased my profits. I really ought to have bought eighty shares more when the stock advanced to fifty-eight, —forty more at sixty,—twenty more at sixty-two, and ten more at sixty-four, keeping a stop loss order at two below the highest point reached, in order to protect my profits, which were large enough to margin all new purchases.

After following Penn. down from 157 to 120¼, I thought it ought to rally. Volumes were large, the price was about that guaranteed by the Underwriters, and the public was largely short of the stock. So I bought

| | | | |
|---|---|---|---|
| 10 | Penn. | at | 120¼ |
| 20 | " | " | 118¼ |
| 40 | " | " | 116¼ |

From this point there was a further decline of less than two points, so I bought no more. It rallied WEAKLY, and I concluded from my records, that it would not rally much. So when it touched 118¾ I sold all of my stock, making profits as follows:

| | | | |
|---|---|---|---|
| 10 Pa. b't at 120¼ | S'd at 118¾ | Loss | $15.00 |
| 20 " " " 118¼ | " " 118¾ | Pr'fit | 10.00 |
| 40 " " " 116¼ | " " 118¾ | " | 100.00 |
| Gross profit..... | | | $95.00 |
| Interest and commission..... | | | 23.50 |
| Net profits..... | | | $71.50 |

The key to this *System* is big margins, small beginnings, sufficient nerve to adhere to the plan as long as your records and judgment agree that you are on the right side, and sense enough to take small profits when you conclude you are wrong.

The SAFETY of the *System* lies in the fact, that, after big movements in either direction, on large and increasing volumes, the market will, in nine cases out of ten, move a couple of points or more in the other direction BEFORE IT GOES MORE THAN FIVE OR SIX POINTS FURTHER IN THE DIRECTION IT WAS MOVING BEFORE YOU BOUGHT. Any speculator will consider nine chances out of ten, all he could ask for and more than he could expect.

This *System* is equally good on the Short side after rallies.

## B — Safety Scale Trading No. 2

When you are not positive that you are right in your conclusions as to future movements, but believe that the chances are in your favor, sell or buy, as directed under *A*, but take profits quickly when in sight.

Thus in my trade in Atchison, if I had been "on the fence," when the stock rallied from fifty-four to fifty-six, I should have sold the eighty shares bought at fifty-four, taking $160 profit. If it had continued to rally to fifty-eight, I should have sold the forty shares bought at fifty-six, taking $80 profit, etc. On the contrary, if, after taking profit at fifty-six, it had dropped to fifty-four, I should have bought back the eighty shares. If it again rallied to fifty-six, I should have again sold it, while if, instead of rallying, it had gone down to fifty-two, I should have bought 160 shares. If there was a rally to fifty-four I should have sold out 160 shares, or if I thought the chances about even for a move in either direction, should have closed out all my stock at from fifty-four to fifty-five. At fifty-four I should have still had a gross profit of $280,

while at fifty-five my gross profit would have been $570.

You will readily understand that your profits will be much larger, if the market goes a point or two against you, than otherwise, and that these Systems really "Organize victory out of defeat."

## C—Regular Scale Buying

Under similar conditions to those mentioned in the first two paragraphs of *A*, buy a small lot of the selected stock, and the same amount on each point decline. Then either take one point profit on each purchase, and buy back the same amount if it drops again, or hold all the stock until you have a clear point profit on it. Then either sell one-half of your holdings, to catch a part of the profits, and hold the rest for a further advance, or put a stop loss one point below the highest price reached, and let your profits run. This *System* reversed, applies equally well to the Short side.

Which of the two suggestions given above you select, will, of course, depend on your settled conclusions from your record, as to the real course of the market.

In this *System,* in order to escape without loss if your premises are wrong, you will see that the price of the selected stock must rally more than half of its entire decline after your first purchase, so that, if a stock dropped eight points after you began to buy, it must rally about four and one-half points for you to get out square, while, under *Systems A* and *B,* if it rallied two points you would have a profit.

## D—Scalping Trades No. 1

Every active movement in either direction, includes a great many fluctuations of from one to two points.

Sometimes a stock will cross a certain figure several times before it finally moves up or down. Thus in the winter of 1904, Paul crossed 142 many times without going above 146, or below 139.

Room traders, having no commissions to pay, can take profits of one-fourth or one-half a point, but the ordinary trader should get at least one point clear, or let the market alone, and it is far from being a safe or a profitable venture, to try to catch these profits "on the fly."

However, as you may be inclined to take risks for the sake of small profits, I will outline the best *System* for scalping the market.

Decide on the general movement of the stock, up or down. If it is up, begin to buy at the lowest figure (not fraction) that has been crossed several times. Buy less than you can safely carry at that figure, and then buy as much more every half point down. Consider each purchase by itself, and sell it on one point clear profit. Buy it back if it drops again to the last buying price. Limit the entire number of shares to be bought, so as to always have 10 per cent. margin on your entire holdings.

If the market is a declining one, reverse the plan, and SELL rather than buy the selected stock. In using this plan when I got tired of waiting for a substantial move, and "wanted to do something" anyway, I traded as follows:

Bought 50 Paul at 141⅞
Bought 50 Paul at 140⅞
Bought 50 Paul at 139⅞

The stock then rallied to 141⅜ and I sold the last fifty shares at 141¼, giving me a

gross profit of $62.50. The price rallied further to 142½, and I sold fifty more of my shares at that price, giving me a gross profit of $75.

It continued to go up and I bought fifty more at 142⅞. This gave me 100 shares. Between 143 and 144, the *system* would indicate both buying and selling, and, therefore, I simply held my stock. This continued to be the case as the stock went up, and I held the 100 shares until the price reached its previous top. Then I sold fifty shares, put a stop loss of one point on the remaining fifty shares, and waited results. The price reached 145¼, reacted to 144⅝, and then again touched 145¼, when I sold it out, and waited for it to go down again to my buying figures.

## E—Scalping Trades No. 2

Select the low figures that have been reached several times, on a certain stock, as in *D*. Also note the highest point the stock has reached on the last three upward movements.

If the tendency is upward, begin to buy at the lowest figure named, and buy as

much more on every point down or up, until it has advanced to within one point of its previous top. Then put a stop loss of one point on your holdings, and wait.

When your trade is closed, if the stock moves as much above its last top as that was above its predecessor, and is strong on increased and large volumes, sell it short on the same plan.

## F — Pyramiding

In order to be successful in the use of this plan, it is absolutely necessary to know the general movement of the market, and particularly to understand the RANGE of the stock or stocks handled.

When you are POSITIVE that a *Bull* movement will soon begin and that stocks are very near bottom, buy what you can margin well, and wait for the movement to commence.

After each rally in a *Bull* market, there is generally a decline of from one-third to one-half the advance last made. On this reaction, buy more stock, using your profits as margins. Continue to do this on each reaction, until a day is reached of enor-

mous volumes, and most favorable *Bull* news. Then sell all your holdings when the top is reached the second time, and sell short for a temporary drop at least.

ON THE RIGHT SIDE this System gives very large profits. The great trouble is that the speculator will be too grasping, and will wait too long before taking his profits.

## 6 — Testing the Market No. 1

Some stocks have their own movements at times quite independent of the general market. This has often been the case with Sugar, Amalgamated Copper and the Tractions.

In order to judge correctly as to the extent of such movements, it may be necessary to test them, and the following *Systems* will guide you in doing this.

After one of these stocks has had a considerable movement in either direction, a reverse move of from two to three points usually indicates a change in the general movement, preceded by a partial recovery.

B. R. T. had moved from below 30 to 55. Then it dropped to 52⅞. I thought this indicated a decline and, when it rallied to

53⅝, I sold 100 shares. It went to 51¼ and then rallied to 52⅜. I sold 100 shares more. It declined to 51, and I took profits (1⅛ points) on my last sale. It continued to go down and touched 48½. Then it rallied to 49⅞, and I sold 100 shares more. This I later bought in at one point profit. The price then dropped to 48 with large volumes, and I covered the rest of my sales with fair profits.

If the stock had moved less rapidly and with smaller volumes, I should have sold more, when, after it dropped to 48, it rallied to 49. But, as the trading indicated some considerable rally, though not a reverse of the downward movement, I thought it would be better to buy for two or three points rally, which I did.

You, no doubt, now understand the *System* which, in brief, is as follows:

When a special stock has had a good upward movement, and then has dropped from two to three points, sell it on a point or a point and a half rally. After each succeeding decline of two points or more, sell more shares on a rally of one half the decline. Consider each trade separate from

the others, and cover each lot (except the first) on one or two points profit, according to the average extent of the declines. Continue these trades until a day of large volumes, and then cover all your stock.

If the volumes are very large, go long for a point or two rally, but do not wait too long on the rally before you take your profit. Remember, though, that the rally may be a reversal of the movement, and if it extends to three points, drops less than that, and then touches a new top, buy again on a drop of one-half the last rally, and continue to buy for rallies reversing your trading from the selling side.

When you believe the tendency of the market is reversed, move cautiously and protect your trades by a stop loss of one point or one and one-half points, since the market may have gained an impetus, that, while carrying it temporarily further, will exhaust itself quickly.

## D—Testing the Market No. 2

In a trader's market, when prices have moved up and down for some days, without much change, and then drop steadily but

slowly for two or three days, or rapidly for a single day, closing at the lowest, if they open lower on the following day and seem weak, buy one-fourth of what you can safely carry. If a rally comes, take your profits when the market has gained its previous loss, if the volumes justify it, but otherwise put a *stop loss* to protect the trade and wait for a fair volume-day before selling.

If, after you buy, the market does not rally, but continues to drop, buy as much more, one point down. If then there is no rally, put a stop loss five-eighths below your last purchase, and, if the stock goes there, take your loss.

Then wait until the decline is apparently over, and buy again, following the same plan as before, only deal in twice as much stock.

If you have misread the market again, you will lose on this trade also, but should try it the third time in the same way, buying now three times as much stock as on your first deal.

After three such drops, you would be fairly sure to be on the right side and to

have a rally of a couple of points or more, which would, at least, save you from loss on the three deals.

On a rising market, you would, of course, reverse your trading, and sell, instead of buying.

The Brokers often test the market to see how far they can carry a movement. When the extreme points of September, 1903, were reached, there followed a natural rally. Brokers and bankers who were loaded with stocks began to test the market to see how far this could be carried to give them an opportunity to unload.

Their tests showed them that they would have to buy a large amount of stock in order to rally it much beyond the natural reaction, and that there was but little prospect of outside buying to any extent.

Therefore, when their test was completed, they began to sell the stocks they had bought and, in a few weeks, prices dropped of their own weight on small sales to about the lowest level of 1903.

It is remarkable how quickly each rally that followed produced a crop of *Bulls*, who reasoned as follows:

"The prices dropped to extremely low levels in 1903 because a semi-panic compelled a sacrifice of all classes of securities.

"When active liquidation had run its course, a normal market should begin and stocks should gradually move upward until at least, good dividend payers reached an investment level.

"It is not natural that stocks paying, at market prices, five, five and a half or six per cent. on the investment, should sell for any length of time at such low prices, when money on call is one and a half or two and a half per cent., and time money is as low as four or four and a half per cent."

In this course of reasoning the *Bulls* overlooked the underlying facts that checked successive attempts to turn a simple rally into a rising market. The buying power of the market was extremely limited and could not, if it would, respond to the enticements of the *Bulls*.

The confidence of investors and speculators in both the real value of these stocks, and in the ability of manipulators to cause a sustained rise, had been pretty nearly destroyed for the time.

The enormous amount of bonds that had been hanging over the market, vainly awaiting offers to buy, increased the public distrust of the value of stocks, and by seizing every dollar of investment capital that came in sight, even at extravagant interest and commissions, constantly reduced the amounts of money that might otherwise have been put into stocks.

Then, the money class understood that the rates of interest on money loans were low, because those who had money thought it safer to wait for lower prices, and to let it at mere nominal rates while there was so little demand for it, and at the same time believed these low rates would not continue longer than speculation began, or than usual demands for money were made. They thought that if there was money enough to justify such low rates of interest, it would be quickly used in buying up at least a part of the seven or eight hundred million dollars worth of stocks and bonds that railroads were not able to dispose of on any terms.

Then, when the public began to look back a few years, and to remember the prices of

the various securities that were, in 1904, called cheap, they were fearful that the old times would return again and that corporations would not earn enough to continue their dividends.

Besides all these things there were millions on millions locked up in "undigested securities" that the financial stomach found it hard work to dispose of without a long rest and considerable stimulant.

Add to this the fact that all classes of investors, from the billionaire down to the clerk and teacher, were induced to invest as largely as their means allowed, in securities that promised well, but that had rapidly depreciated, until interestless and almost valueless, they had left their holders no usable capital, and certainly one had found reasons enough for the continued depression and doubtful recoveries that marked 1903-4.

## I — Special for Cereals

The various *Systems* herein described are adapted to speculation in stocks, cotton, cereals and coffee, each of which must be

carefully studied before attempting to speculate in them.

One must know the crops (whether larger or smaller than usual), the prospects for future harvests (whether better or worse than last year), the surplus left over from preceding years, the demand (whether more or less than in other years), foreign production and demand, and last but not least, the intention and purposes of the controlling speculators, since certain men are generally leaders in these deals, and a single leader can control them far more than stock deals.

When you thoroughly understand these points, you are pretty well prepared to deal in cotton, or cereals, as well as in stocks.

When, for example, after studying the wheat question, you are positive that wheat is too low, and that the leaders are accumulating it, wait until the next decline culminates.

If the bottom is not so low as the last one, buy 1,000 bushels, when after a rally, it touches bottom figures a second time, or comes quite near them.

If it continues to drop after you have

bought, and goes below previous bottoms, cover at a loss and wait until the new bottom is reached a second time. Then buy 2,000 bushels. If a third drop is below the last bottom, repeat your trades, buying 3,000 bushels. Now, if you were right at first in regard to the actual trend of the market, the price will not often go below your second bottom, and will rally several points before it reaches a new top.

When it does this, declines from three-fourths to one and one-half points, and then rallies to that top a second time, sell your wheat and wait for another considerable drop before buying again.

Wheat touched 76, rallied to 76¾, and then dropped to 76⅛. I bought 2,000 bushels. It went up to 76¼ and then broke to 76, and I covered at a loss. It still declined and reached 75¼, rallied to 75¾ and then dropped to 75½. I bought 3,000 bushels. The next move carried it to 78¼ when it declined to 77⅞, and then rallied to 78½.

Feeling sure it was going higher, I waited. It hung around 78¼ to 78⅝ for three days, and then went to 79⅞. After a

drop of a point, it rallied to 79½, when as it seemed weak, I sold my 3,000 bushels, making a good profit on the two trades.

By thus increasing the quantity bought after each loss, you are fairly well assured against final loss, unless you were decidedly wrong in regard to the trend of the market.

The same *System* is equally good for the short side, after a rally has culminated in too high prices, or when the manipulators want prices to drop in order to "shake out" little followers.

After a wild advance in price of grain, comes usually a serious break of at least one-half or two-thirds the advance, followed by a sharp recovery of about half the break, when liquidation has run its course and the shorts begin to cover the oversold market. After which the price usually drops to nearly the low figures of the previous break, or even a trifle lower, and then the market becomes unsafe for traders.

If the market is a naturally rising one, the prices hold firm for a day or two and then go higher.

If the market is bearish, the prices are weak at first and then go down still lower.

This is the same principle as was developed in stock trading.

Remember that no *System* is good unless handled carefully, skilfully and with good judgment, and never adhere to any one *System* blindly and unreasonably.

## Reading the Tape

The *Tape* gives many valuable hints in reading the market, and tells not only the volumes, but indicates fairly well the temporary course of stocks, by showing whether buyers or sellers are most urgent.

Thus, if after a few minutes active trading in Atchison, with prices varying from sixty-six and one-quarter to sixty-seven, trading almost stops in that stock at sixty-six and one-half, with two or three sales made at that figure, and then the tape reads, —300 At. sixty-six and three-fourths—500 At. sixty-six and seven-eighths—1,000 At. sixty-seven—600 At. sixty-seven and one-eighth, you will readily understand that, as no stock could be bought at sixty-six and one-half, the buyers, being more urgent than the sellers, raised their offers gradually to sixty-six and three-fourths—sixty-six and

seven-eighths—sixty-seven—sixty-seven and one-eighth, taking all stock offered at each rally.

This showed either a decided movement to cover shorts, or an accumulated buying.

Now follow the course of a stock for a few days, as shown in the papers that give every transaction. Make a summary of the totals sold on declines, and of the totals sold on advances, leaving out all but the first sale at any quotation, and sales of less than 100 shares, and you will have a pointer showing somewhat the relative strength and urgency of buyers and sellers on that stock.

You must also take into consideration the results of trading as shown in advances or declines. If a stock shows that there are more, and more urgent buyers than sellers, and yet it goes up only a trifle, there will be less prospect of a further advance, than if it goes up several points. And sometimes a large preponderance of either buyers or sellers, with only a fractional change in price in the other direction, will show that the market has been HELD near the central figures by strong interests, in order to cover shorts, or to unload stocks,

before a further change which insiders know is coming.

Sugar had been hanging round 126½ for several days on small volumes. On Thursday 7,200 shares came out on trifling declines, while 15,100 shares were sold on small advances, and the stock closed at 126⅞.

The large increase in volumes and balance, and the trifling advance in price, showed me that big interests were holding up the market to unload, because they knew that the stock was going down.

I therefore sold 100 shares of Sugar at 126¾. The next morning it opened up to 127, and slowly went to 127½ with large volumes. I sold 100 shares more at 127⅜. It wavered up and down one-eighth—one-fourth—one-eighth, etc., and then began to break. I sold 100 shares more at 125⅛, and 100 more at 123⅞, using my profits as margins. When the stock touched 122⅛, I put a *Stop Loss* one and one-half points from the market, and waited. It broke 120 before it rallied a point, and I closed my trades at 119⅞.

You will understand that one must read

between the lines to know what the manipulators are going to do. The general public will not take the time to study how to read the tape or the signs of the market, and therefore are easily deceived, and are led to do just what insiders want them to do.

When Sugar was strong and tipsters freely predicted 140 for it, insiders were apparently unloading and the public was buying. When I thought I saw good evidence of this, I sold, with the above results.

## Protection Against Losses

### Puts and Calls

There are Brokers in all large financial centers, who deal in guarantees against excessive losses in buying or selling stocks.

These guarantees (*Privileges*) are called *Puts, Calls, Spreads,* and *Straddles.* A *Put* is a contract giving the holder the right to sell to the maker a certain number of shares of a given stock at a fixed price, before the date named in the contract.

*A Call* is the reverse of a *Put,* and the maker agrees to sell to the holder a certain number of shares of a given stock, at a fixed price, before the date named in the contract.

*A Spread* is a *Put* and a *Call* combined. The maker agrees to sell to or to buy of the holder, a certain number of shares of a given stock before the date named in the contract, on the terms specified therein.

*Form of a New York Call*

NEW YORK, Jan. 10, 1905.

FOR VALUE RECEIVED the bearer may *Call on me* on one day's notice, except the last day, when notice is not required, for 100 shares of St. Paul at 142½, any time within forty-two days from date. All dividends for which transfer books close during said time, to go with the stock.

Expires Feb. 24, 1905, 2:55 p. m.

(Signed) BROWN & SMITH.

*A Put* is like the above *Call,* substituting "DELIVER TO" for "CALL ON."

*A Straddle* is like a *Spread* except that, in a *Spread* the buying and selling prices are several points apart, while in a *Straddle* they are put at the same figure.

New York brokers sell *Puts* and *Calls* at a few points from the market, and give holders the right to close them at any time

*Form of a Spread*

> New York, March 7, 1905.
>
> For value received the bearer may *Call on me* on one day's notice, except the last day, when notice is not required, for 100 shares of Atchison at 67, or may deliver to me the same number of shares at 62, any time within thirty days from date. All dividends for which transfer books close during said time, to go with the stock.
>
> Expires April 6, 1905, 2:55 p. m.
>
> (Signed) Brown & Smith.

on a day's notice (excepting on the last day). London brokers sell them at the market price, charge more for them, and do not give holders the right to close them excepting at fixed times near the end of the contract limit.

In some States trading in *Privileges* is illegal, but generally it is permitted.

*Privileges* are sold for various lengths of time, from one day to several months. They are accepted by brokers as margins, instead of cash.

In active markets, large profits can often be made by using *Puts* and *Calls,* with but little risk, since you can limit your losses to the amount paid for the *Privilege,* and can often make many trades, before the *Privilege* expires.

In New York the operation is as follows:

If you think Atchison, when selling at seventy, will have a considerable decline, you would buy a *Put* on it. Probably you would get a *Put* at sixty-six, good for thirty days for $100 for 100 shares. This would really make the price at which you could sell it, sixty-five.

Now, if Atchison goes below sixty-four, you can do one of four things. (1) Close your *Put* and make $100. (2) Wait for lower prices which will give you more profit. (3) Buy fifty shares at sixty-four, which insures you at least $50 profit on your trade and gives you a chance for more,

since if your fifty shares advance to seventy you have $300 profit on them, and can take this without interfering with your *Put,* which still gives you an opportunity to do the same thing again if the stock drops. (4) Buy 100 shares at sixty-four, which will limit your profit to $100 if the stock goes down, but give you $100 profit on every point advance.

Which plan you ought to follow, depends on the condition of the market.

I have made seven trades on a thirty-day *Put* on 100 shares of Steel Preferred at fifty-two, with net profits of over $1,100. I bought a *Call* on it at sixty, for $150, at the same time, and lost that amount as the stock did not touch sixty during the time. That left my profits on the Spread over $950.

*Caution.* If you deal in *Privileges,* be sure they are signed by a strong concern, and that your broker will accept them instead of margins.

## Stop Loss Orders

When a speculator does not want to risk too much, on account of the uncertainty of the market, or when he has a certain profit

in sight, and wants to be sure that it will not be changed to a loss, he uses the *Stop Loss Order.*

To illustrate. If you buy Sugar at 125, and desire to protect yourself against excessive loss, provided it takes one of its erratic drops, you will give your broker a written order to close out your Sugar at, say, 123½, if it goes there.

Then if the stock goes up, as you expected, you have your profits. Even if it goes to 124 and then rallies above 125, you still have your trade in hand. But if it goes to 123½ your broker will sell the stock at the best price he can get for it, and you must stand your loss.

It is sometimes impossible to close out a deal at the figure named, but generally this can be done. In the case above supposed, if the price dropped to 123½, there might be no buyers. Then your broker would take the best bid for your stock he could get, and close your deal, charging you with the cost of the stock, with interest and commissions, and crediting you with the amount he received from its sale.

On *Short Sales* a *Stop Loss* is placed

above the selling price, and your broker buys in the stock if the price reaches the *Stop Loss* figures.

*Stop Loss* orders are good until cancelled, unless otherwise stated in the order.

When your *Stop Loss* is reached and your trade is closed out, it is often best to duplicate your trade at the apparent extreme touched.

I bought 100 Copper on Oct. 5, 1903 at 40¾ with a *Stop Loss* at thirty-nine. It went there and lower and I lost two full points. It continued to drop and when it touched thirty-four, less than two weeks later, on a volume of over 100,000 shares, I bought 1,000 shares at thirty-four and one-eighth, with a Stop Loss at thirty-two and five-eighths, carried it until December 29, and sold it at fifty-one and one-quarter.

## A Few Good Rules for Traders

1. In the beginning of a movement, deal only in the better class of stocks. They lead. Others follow later.

2. Avoid SHORT SALES in stocks that can be easily cornered.

3. *Wall Street* anticipates expected news. Therefore sell BEFORE bad news is made public, and buy BEFORE good news is announced. After the news is confirmed, close your trades.

4. Pay but little attention to "tips," rumors, gossip or newspaper talk, but depend on your conclusions, reached from a study of this book and from your records,

5. When the public is buying largely, sell. When the public is selling in big volumes, buy.

6. Always have large margins.

7. *Bull* movements begin after severe declines, when everything is darkest, and the market is dropping rapidly, with enormous volumes.

8. Buy then with confidence, when the bottom figures are reached the second time.

9. If extreme points are reached after a continuous decline lasting three days, with constantly increasing volumes, especially if these days are Friday, Saturday and Monday, a rally will almost invariably follow, even if stocks open lower on Tuesday.

10. When you have a profit in sight, take it or protect it by a *Stop Loss*, and when the

market looks doubtful to you, always, IF you trade, use a *Stop Loss*.

11. If you conclude you are on the wrong side of the market, take your loss QUICKLY, and wait until you are certain what to do.

12. *Bear* markets begin after a considerable rise when the news, rumors and "tips" all indicate further advances, and when the public is buying. Then, after a three-days-continuous advance, with constantly increasing volumes, especially if these days are Friday, Saturday and Monday, a decline will certainly start before the end of the week.

13. A strong movement in either direction, is dangerous to oppose. Therefore be sure you understand the situation before you take the other side.

14. When the market moves in your favor, after you have bought or sold under the directions given in this book, use System *F* cautiously, and you will make large profits at small risks, should the movement continue.

15. Remember that *Bull* or *Bear* campaigns usually end with a movement in the minor stocks, while the leaders fluctuate but little.

16. Reactions generally come after a three days' movement on large volumes. The movement is usually continued for a short time, on the fourth morning, before the reaction definitely begins.

17. Quiet, WEAK markets usually indicate a decline, and quiet STRONG markets, a rally.

18. When a market has continued for several days with only fractional changes, and small volumes, if it then declines for an entire day and closes at the bottom with a fair increase in volumes, it will generally advance the next day. But if such a market advances for an entire day and closes at the top, on fair volumes, it will usually drop the next day.

19. When London's prices are above New York's closing, and *Wall Street,* at the opening, rallies prices above London, generally the market is a sale for a point or two. The reverse is also true.

20. In a strong *Bull* or *Bear* market, it is wise to move with it, rather than to trade for reactions.

21. Do not permit your trades to influence your judgment, as they naturally will.

22. Keep your TRADES and your OPINIONS

to yourself. Otherwise your judgment will be warped by those with whom you talk.

23. Always give your orders in writing, unless by telephone, and always make AT THE TIME, a memorandum of each order and trade.

24. Avoid giving "discretionary" orders.

25. If your order is "at the market," generally limit the price by adding "not above (or below as the case may be), ——."

26. Orders, except *Stop Loss,* are good only for the day on which they are given, unless otherwise specified. If you want them executed after that, you must so state in your order. Thus "G. T. C." or "Open Order," indicates that the order is "Good till cancelled." You can also limit the order as good for a certain number of days or until a certain date.

27. *When in doubt, do nothing.*

## Other Exchanges

### Speculation in Cotton

Cotton is bought or sold by the bale, which contains, or is reckoned at, 500 pounds. The minimum amount traded in, is 100 bales. Each month's cotton is traded in by itself.

In stock trading, a POINT is a dollar a share, and less fluctuation are indicated by fractions (eighths).

In cotton, a POINT is one-hundredth of a cent a pound. Twenty-five POINTS equals one-fourth of a cent on each pound traded in. Each POINT up or down, equals $5 on 100 bales.

If you buy 100 bales of cotton at twelve cents a pound, an advance of fifty points will give you a profit of $250, while if it advances to thirteen cents, your profits would be $500.

There is one movement in cotton that is quite regular whether prices are high or low.

Year after year interest in futures is protected in the spring by buying May cotton, and selling July cotton as prices advance.

Thus in February, 1904, July cotton led the market advancing up to eighteen cents a pound. Then came a natural break, cotton dropped several cents a pound until it reached a price where users came into the market to buy it.

Then it again advanced, and May cotton

was bought while July cotton was sold until May sold above any other month.

There is always a fixed demand by users for cotton at such prices as they can afford to pay. When the market drops much below those prices, one may buy safely, and when it goes much above those prices, it is dangerous to buy it even if one does not venture to sell it.

## The Chicago Board of Trade

New York is the center for stock and cotton trading, while Chicago is the center for trades in cereals, and the Chicago *Board of Trade* is the *Cereal Exchange,* the same as the *Stock Exchange* in New York is the *Board of Trade* for stocks.

It is usually thought that trading in cereals is simply betting on future prices. But, on the contrary, all cereals bought or sold on the Chicago *Board of Trade,* are supposed to be actually delivered, when the contract matures.

The contract is an agreement made on the floor of the *Board* between members, to buy or to sell a certain amount of grain, seeds or provisions. Each contract matures on

the last day of the time limit named in it.

In practice the *Clearing House* of the *Board of Trade,* enables brokers to avoid the trouble and expense of actual delivery of property. There, a deal between two members is adjusted by paying the difference between the two prices.

On unsettled contracts, however, the property itself must be delivered on the last day named in the contract. Failure to do this is punished by enforcing the payment of all losses that result from non-delivery.

The methods of trading in cotton, grains, provisions and coffee, are similar to those used in stocks, and therefore need not be given in detail.

## Quantity — Margins — Commissions

Members of either Exchange will generally buy small quantities of anything dealt in on their Exchanges, for cash customers, but, as most trades are made on margins, the various Exchanges have written or unwritten rules (covering quantity, commissions, etc.), to be observed by brokers.

*The New York Stock Exchange* brokers,

generally trade (on margins) in lots of 100 shares and upwards, and require from three per cent. to ten per cent. margins. But a nominal 100 shares of certain stocks, like Penn. and Reading, are only actually fifty shares, since the par value of the stock in these Railroads is but $50, instead of the customary $100, while some stocks, like Anaconda Copper, have a par value of $25. So that an order to buy 100 shares of Anaconda, would only mean the purchase of $2,500 worth at par, instead of $10,000 worth at par of other stocks.

*The Consolidated Stock Exchange* brokers trade in ten share lots and over in stocks, and require margins of from two per cent. to ten per cent., depending on the customer, the stock and the market.

The interest charged customers by brokers for carrying long stock, varies from four per cent. to six per cent., and when money is high, they also charge whatever commission they have to pay to get it.

*Stock Exchange* members are not permitted by their rules, to charge customers LESS interest than they themselves pay, nor to share commissions with them.

# 1. Table of Quantities, Margins, Etc.

| | QUANTITY DEALT IN | MARGINS | COM. EACH WAY | FRACTIONAL PROFITS | GROSS PROFITS | COM. EACH WAY | COM. BOTH WAYS |
|---|---|---|---|---|---|---|---|
| Cotton | 100 bales | $1 per bale | 5c. per bale | $\frac{1}{100}$c. per lb | $5.00 | $5.00 | $10.00 |
| Coffee | 250 bags | $\frac{1}{2}$ c. per lb. | 4c. per bag | $\frac{1}{200}$c. per lb | $16.25 | $10.00 | $20.00 |
| Grain | 1000 bushels | 3 c. per bu. | $\frac{1}{16}$ c. per bu. | $\frac{1}{8}$ c. per bu. | $1.25 | $0.62$\frac{1}{2}$ | $1.25 |
| Pork | 250 bbls. | 50 c. per bbl. | $1\frac{1}{4}$ c. per bbl. | $2\frac{1}{2}$ c. per bbl. | $6.25 | $3.12$\frac{1}{2}$ | $6.25 |
| Lard | 250 tierces | $125.00 | $1\frac{1}{4}$c. per 100 | $2\frac{1}{2}$c. per 100 | $21.25 | 10.12$\frac{1}{2}$ | $21.25 |
| Ribs | 50,000 lbs. | $\frac{1}{2}$ c. per lb. | $1\frac{1}{4}$c. per 100 | $2\frac{1}{2}$c. per 100 | $6.25 | $6.25 | $12.50 |
| N. Y. Stock Ex. | 100 shares | 5% | $\frac{1}{8}$ p. c. | $\frac{1}{8}$ | $12.50 | $12.50 | $25.00 |
| Consd. Ex. | 10 shares | 5% | $\frac{1}{8}$ p. c. | $\frac{1}{8}$ | $1.25 | $1.25 | $2.50 |
| Consd. Ex. | 50 shares and over | 5% | $\frac{1}{16}$ p. c. | $\frac{1}{8}$ | $6.25 | $3.12$\frac{1}{2}$ | $6.25 |

# 2.—Table Showing Margins and Profits or Losses

*For Fractional Advances or Declines*

| MARGINS | NO. SHARES STOCK | BUSH WHEAT | FRACTIONAL PROFITS OR LOSSES | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | $\frac{1}{8}$ | $\frac{1}{4}$ | $\frac{3}{8}$ | $\frac{1}{2}$ | $\frac{5}{8}$ | $\frac{3}{4}$ | $\frac{7}{8}$ | I |
| $100 | 10 | 1,000 | $1.25 | $2.50 | $3.75 | $5.00 | $6.25 | $7.50 | $8.75 | $10.00 |
| 200 | 20 | 2,000 | 2.50 | 5.00 | 7.50 | 10.00 | 12.50 | 15.00 | 17 50 | 20.00 |
| 300 | 30 | 3,000 | 3.75 | 7.50 | 11.25 | 15.00 | 18.75 | 22.50 | 26.25 | 30.00 |
| 400 | 40 | 4,000 | 5.00 | 10.00 | 15.00 | 20.00 | 25.00 | 30.00 | 35.00 | 40.00 |
| 500 | 50 | 5,000 | 6.25 | 12.50 | 18.75 | 25.00 | 31.25 | 37.50 | 43.75 | 50.00 |
| 1,000 | 100 | 10,000 | 12.50 | 25.00 | 37.50 | 50.00 | 62.50 | 75.00 | 87.50 | 100.00 |

In general the smallest quantities, lowest margins and least commissions on trades made by regular houses on either *Exchange,* are shown in the above tables:

From these tables you can easily compute your GROSS profits or losses on any trade. Then deduct the commissions and interest, and you will find your net profits.

If you bought 200 shares of stock on the Consolidated Exchange, and it advanced five-eighths, your profits would be twenty times the amount shown in table No. 2, ($6.25x20=$125.) Suppose your interest was $5.25 and your commission (four times the amount in table No. 1 as profit on ten shares, because you bought four times as much stock), $25, (total, $30.25) your net profits would be $125—$30.25= $94.75. In the same way, your gross profits on 500 bales of cotton that advanced fifty one-hundredths (one-half cent) per pound, would be $1,250.00. Deduct the commission ($50) and you have $1,200 profits, from which the interest must be subtracted.

Remember that on short sales there are no interest charges.

# Clearing House

## The Stock Exchange Clearing House

Until 1892, when the Clearing House was organized, actual delivery was made under the rules, of all stocks dealt in.

Thus if your broker bought 500 Atchison from A. B., 200 from C. D., and 100 Paul from E. F., and sold 500 Atchison to Q. R., 200 to S. T., and 100 Paul to U. V., he would receive the 800 shares from A. B., C. D., and E. F., and pay for them. Then he would deliver the 800 shares to Q. R., S. T., and U. V., and receive pay for them. When the trades covered thousands of shares this actual delivery caused a great deal of unnecessary work, which could be saved by a system of balances settled at some central agency.

Now, members of the Clearing House save much of this work by the simple plan of balancing their trades, as shown below, at the trifling cost of two and one-half cents per hundred shares cleared, including balances.

The general plan, varied in details, is the same in all Clearing Houses.

Deliver (or Seller's Clearance) Ticket

New York, *April 3, 1905*

No. *1*

CLEARING HOUSE OF THE NEW YORK STOCK EXCHANGE

DELIVER TO .....

*200* Shares *Atchinson Com.* @ *$68*

for account of the undersigned.

*Black & White*

Receive (or Buyer's Clearance) Ticket

New York, *April 3, 1905*

No. *2*

CLEARING HOUSE OF THE NEW YORK STOCK EXCHANGE

RECEIVE FROM .....

*500* Shares *Atchinson Com.* @ *$70*

for account of the undersigned.

*Black & White*

Within one hour and a quarter after the Exchange closes, each seller sends to the buyer his "deliver ticket," and each buyer sends to the seller his "receive ticket" showing that the trade is properly booked.

The seller's clearance ticket is printed in RED on white paper. The buyers clearance ticket is printed in BLACK on yellow paper.

Then each broker makes a Clearing House Sheet, showing the "receive" and the "deliver" tickets of all his trades for the day, with the debit or credit balance, and sends it with the tickets, to the Clearing House within four hours after the Exchange closes.

If the sheet shows a debit balance, the broker must attach to the sheet his check for the amount. If a credit balance is shown, he attaches a draft for the amount, on the Clearing House bank.

Thus each broker's accounts are audited daily by others, and the Clearing House practically guarantees their correctness.

The second Clearing House Sheet shows an account where the balance due Black and White is covered by a draft attached.

The Clearing House Sheet for the above account would be as follows:

CLEARING HOUSE OF THE NEW YORK STOCK EXCHANGE, No. 241

Office address, *27 Wall St.* New York, *April 3, 1905*

Clearing Sheet of *Black & White*

| RECEIVED FROM | | | PRICE | AMOUNT | DELIVERED TO | | | PRICE | AMOUNT |
|---|---|---|---|---|---|---|---|---|---|
| *A. B.* | *500* | *At.* | *70* | *$35,000* | *Q. R.* | *500* | *At.* | *68* | *$34,000* |
| *C. D.* | *200* | " | " | *14,000* | *S. T.* | *200* | " | *68* | *13,600* |
| *E. F.* | *100* | *Paul* | *140* | *14,000* | *U. V.* | *100* | *Paul* | *138* | *13,800* |
| | | | | | *Bal.* | *Check* | ..... | ..... | *1,600* |
| | | | | *$63,000* | | | | | *$63,000* |

Enter on this sheet only those transactions for which tickets have been exchanged. The tickets must agree or both parties will be fined.

CLEARING HOUSE OF THE NEW YORK STOCK EXCHANGE. NO. 242.

Office address, *27 Wall St.* NEW YORK, *April 3, 1905.*

Clearing Sheet of *Black & White.*

| RECEIVED FROM | | | PRICE | AMOUNT | DELIVERED TO | | | PRICE | AMOUNT |
|---|---|---|---|---|---|---|---|---|---|
| *A. B.* | *1000* | *B. O.* | *70* | *$70,000* | *Q. R.* | *500* | *B. O.* | *71* | *$35,500* |
| *C. D.* | *200* | *U. P.* | *68* | *13,600* | *S. T.* | *200* | *U. P.* | *69* | *13,800* |
| *E. F.* | *100* | *Erie* | *20* | *2,000* | *U. V.* | *100* | *Erie* | *22* | *2,200* |
| *G. H.* | *100* | *So. P.* | *42* | *4,200* | *W. X.* | *200* | *So. P.* | *41* | *8,200* |
| Bal. del. | | | | | Bal. rec'd | | | | |
| Del. price | *100* | *So. P.* | *40* | *4,000* | Del. price | *500* | *B. O.* | *71* | *35,500* |
| Bal. dft. | | | | *1,400* | | | | | |
| | | | | *$95,200* | | | | | *$95,200* |

Enter on this sheet only those transactions for which tickets have been exchanged. The tickets must agree or both parties will be fined.

By sending this sheet to the Clearing House with his check for $1,600 attached, he neither receives nor delivers a share of stock that day, and instead of issuing three checks and receiving and depositing three more, he simply pays the balance shown, and the Clearing House does the rest.

If stock is shown on either "deliver" or "receive" tickets, that is not on the other tickets, then there is left a balance of stock to be delivered or received.

You will see that balancing these accounts includes more than simple cash balances. These are settled by check or draft, but if there is stock to be actually delivered, any broker having that stock to deliver, although he was not concerned in this deal, may be directed by the manager of the Clearing House, to deliver it to the broker whose sheet shows it is due to him.

When this is done through the whole list, each broker has received the actual balance of shares due him, and the Clearing House books will balance correctly.

The "delivery price" may not be the actual price at which the trade was made. It is an arbitrary price, usually the whole

number nearest the last sale of the stock named.

This arbitrary "delivery price" is made for convenience to avoid fractions, and makes no difference in the accuracy of the result, since the "balance draft" or the "balance check" simply offsets the natural difference that comes from using an arbitrary price in reckoning the value of stock balances.

## The Associated Banks

This is the *New York Bank Clearing House,* which was established in 1853.

It is a voluntary association of certain banks, and an officer of the United States Treasury.

Its purpose is to find out and settle all balances between banks that are members of it.

Each bank sends daily to the *Clearing House* a statement of its claims on each bank represented, and a summary of its aggregate claims on all the banks. It must also have tickets to deliver, showing its total claim on each bank.

Each bank must have two clerks, a de-

livery and a settling clerk, at the *Clearing House,* at two minutes before ten A. M., so as not to delay the opening an instant.

At exactly ten o'clock each DELIVERY clerk hands to the SETTLING clerk of the bank nearest to him, the package belonging to that bank, drops the corresponding ticket, showing the amount, into a box prepared for that purpose, and obtains on his schedule, the initials of this SETTLING clerk. This operation continues until each bank has been served.

Then each SETTLING clerk sets down in a column all the amounts on his tickets, adds it, and sends the amount to the PROOF clerk, who arranges it so that the debit and the credit of each bank shall be on the same line.

A glance thus shows how much each bank owes the *Clearing House* or the reverse. Then these debits or credits are read aloud, and each clerk jots down the amount due to or from his bank. Each bank must pay the *Clearing House* whatever it owes on this balance, before half-past one on the same day, and then the *Clearing House* pays the same money to its creditors.

*A Proof Sheet of Each Day's Clearings at the Clearing House would be as follows, and would include the Accounts of all of the Associated Banks.*

| Banks. | Due Clearing House | Banks Dr. | Banks Cr. | Due Banks. |
|---|---|---|---|---|
| *A. National* | *$18,793.00* | *$120,118.22* | *$101,325.22* | ..... |
| *B. National* | ..... | *21,275.11* | *31,275.11* | *$10,000.00* |
| *C. National* | *2,521.62* | *21,042.42* | *1,852.80* | ..... |
| *D. National* | ..... | *179,254.50* | *190,569.12* | *11,314.62* |
| | *$21,314.62* | *$341,690.25* | *$341,690.25* | *$21,314.62* |

As the New York Clearing House clears for the entire nation, its business must necessarily be enormous. In fact it is considerably over one hundred millions a day, and yet at night it is not supposed to have a dollar in its possession.

In spite of the rapidity with which the work is done, and the enormous amounts handled, there are not many errors made by the clerks. To prevent delay and carelessness, each clerk is fined for being late, and for each error.

## Clearing House Certificates

Sometimes a great demand for currency, or a distrust of particular banks, will cause the withdrawal of their deposits and force them to suspend.

When a few banks suspend and distrust of banks increases, excessive demands may be made on comparatively safe banks, which might compel them also to close.

In such cases, it is both the duty and the policy of the strongest banks to help the others, and they sometimes have been obliged to "pool their reserves" to do this successfully.

To meet these crises "*Clearing House Certificates*" were issued in 1860, 1873, 1884, 1890, and 1893. Any member-bank could deposit with the *New York Clearing House* its bills receivable or other securities, together with its own obligation, and receive in exchange, CERTIFICATES for seventy-five per cent. of the par value of the securities, which CERTIFICATES were accepted in lieu of cash in the payment of *Clearing House* balances.

To prevent the banks from using them too freely, they drew six per cent. interest from the date of issue. In 1893, CERTIFICATES to the amount of $41,495,000 were issued, and saved the business of the country from a severe panic. While they did not increase the actual currency of the country, they established confidence, and decreased the demand for bills and coin, until the times became better, when they were withdrawn.

## Obtaining Loans

The influence that banks can, and often do exert over speculation is understood when their relations to the brokers are made plain.

The broker carries stock for his customer on a small margin of from five to ten per cent. He has, however, actually to buy the security and pay for it. He must, therefore, get most of the balance which he pays, somewhere. He usually hires it from a bank, or trust company, depositing as security, stocks or bonds he has on hand, which he has bought for customers.

Legally this stock belongs, not to the broker, but to the customers, since he has bought it for them, has charged it to them, and has credited on this purchase the margin received.

The broker, therefore, has no legal right to use this stock as collateral for a loan, unless the customer agrees to permit him to do so. But custom tacitly sanctions this technical violation of law, and necessity compels it.

Now if the broker has bought for a customer stock costing $100,000, he can get from the bank usually about $80,000 loan on this stock. That leaves $20,000 to be obtained elsewhere. If the customer puts up one-half of it, the broker must supply the other half.

Sometimes the banks will not loan nearly eighty per cent. of the value of the security, and sometimes actually refuse to loan on certain stocks. This may cause a semi-panic in such stocks as are discriminated against.

But the broker must pay for the stock when he gets it, and he must get it, before he can put it in a bank for a loan. What can he do if his bank balance is not enough to pay for the stock?

With an understanding that the security shall be delivered to the bank as soon as the broker gets it, the bank certifies a check for the amount to be paid, when the broker really has but a small part of the amount.

The National banking law expressly make such over-certification unlawful, but no notice is taken of this law, since, in effect, the act is only a temporary loan made under an agreement between the banker and the broker, that if the broker will keep with the banker a certain daily balance, the banker will certify checks to a fixed amount several times more than the daily balance.

If he does not deposit securities against this loan, he must deposit enough money to

keep his daily balance at the sum named besides making up the amount over-certified.

Some banks avoid a technical violation of the law by taking the broker's note for the amount, but the results and risks are the same in either case. These certified checks sometimes amount to from $80,000,000 to $100,000,000 in a single day.

A call loan must be paid on demand, but custom generally makes it subject to call on the next day. No loans are called after 1 P. M., and when called before that hour, the broker has until two P. M., to pay the amount due.

When a loan is obtained on deposit of securities, no note is given, but the broker simply puts in a "loan envelope" the securities pledged, and hands it to the bank. On the outside of the envelope is the broker's name and a list of the securities with their values.

The bank puts this envelope into a larger one on which is marked a list of the securities, the amount and character of the loan, date, etc.

The borrower usually signs a contract by

which the bank may sell the securities pledged, in case any indebtedness of the broker to the bank is not properly paid.

## Bank Statement

The condition of the money market is supposed to be reflected in the *Bank Statement* which is issued by the Clearing House on Saturday of each week (unless it is a holiday), about half-past eleven.

This shows the average condition for the week of loans, deposits, cash on hand, circulation and surplus reserve of all banks that are members of the Clearing House.

By the Clearing House Rule, all bank-members must keep on hand specie and legal tender to at least twenty-five per cent. of their deposits, and this amount may be changed as the Clearing House Committee may determine.

When the surplus reserve is diminished considerably, money is liable to become scarce, while if there is a large and increasing surplus reserve, money should be easy, if other things are equal.

A very large surplus sometimes shows so small a demand for money as to indicate

little or no business, while a deficit in the surplus reserves, is, at least, a dangerous sign and indicates financial trouble.

Loans also serve as a guide and a warning to speculators. When they are contracted, interest advances, loans are called, and stocks are often thrown on the market because brokers cannot carry them.

Over-expansion of loans often produces speculation, inflation and financial crises. It increases deposits which demand a larger reserve.

The cash holdings of a bank statement show the actual amount of specie and legal tender on hand and are quite a different matter from the deposits, which include all the credits as well as cash holdings. The larger the loans, the greater the deposits.

An increase in cash holdings gives the banks so much more money to loan, while a decrease, compels a reduction of loans.

The money market is often so manipulated that the *Bank Statement* does not always reflect the true condition of the banks, and one must therefore take this into account in estimating the influence of the *Bank Statement* on the market.

# Foreign Exchange

## Money and Its Uses

When the world was young, barter took the place of any medium of exchange, but in time, it became necessary to have some common measure of value, and the precious metals, as varying less in intrinsic value than most other things, became such a measure.

Then, as trade between nations increased, the balance due any country had to be paid in gold or silver.

But the difficulty in transporting it safely, the loss of interest, and the cost of transportation, made it necessary to have some easier way of settling the balance of trade, and *Foreign Bills of Exchange* gradually gained favor more than five centuries ago, and have continued in use until the present time.

## Bill of Exchange

A *Bill of Exchange* is simply an order to pay a certain amount to a party named in the BILL, at a set time. To justify giving

such a bill, the DRAWEE (or party on whom it is drawn), is supposed to owe the DRAWER (the party making the draft), at least the amount of the BILL.

While a *Bill of Exchange* is usually made payable to a certain person, it is negotiable, and passes by endorsement to a new holder.

One merchant here sells to an English buyer a thousand dollars' worth of cotton. He can then draw a bill for that amount. Another merchant buys from a London house a thousand dollars' worth of woolen goods. The London seller can draw a bill on the buyer for that amount.

Now if these trades were kept separate, one American might receive a thousand dollars in gold from London, and the other American might send the same gold back by the next steamer.

To remedy this round-about way of doing business, a sort of *Clearing House* for *Bills of Exchange* became necessary, and was provided by certain merchants, who dealt in these *Bills of Exchange,* buying them from one class and selling them to another.

"Supply and demand" fixes the premium on such *Bills of Exchange.* Thus if Eng-

land owes us on purchases, much more than we owe her, sterling *Bills of Exchange* on England would be sold at less than par, while if the trade balance was in her favor, these bills would command a premium.

The limit of premium or discount would be the cost of sending the specie from one country to another, including insurance and interest.

It is strange that no one has proposed a scheme for International currency that would abolish the costly and cumbersome *Bill of Exchange,* or the more troublesome specie transfer.

## Some Rules and Regulations

The Exchange rules are very explicit and cover trading on the floor, commissions, time and manner of delivering securities sold, and tend to restrain members from unfair competition, and to protect customers.

Thus to prevent fictitious attempts to bid up or sell down stocks on the Floor of the Exchange, no members can safely PRETEND to buy or sell stock. All offers to trade must name the specific number of shares,

the par value of which must not be less than $500. No member is allowed to offer to buy or sell any security at a less variation than one-eighth of one per cent. On the Stock Exchange, members cannot charge customers less than one-eighth of one per cent. for buying or selling, and on the Consolidated, not less than one-eighth of one per cent. on less than fifty shares, but, over that amount, may charge only one-sixteenth of one per cent. each way. Such commissions must always be charged on the par value of the security, without regard to its market price. No bonus, commission, or percentage can be paid or allowed to any one for business brought to members.

*Good and Bad Deliveries* are clearly set forth in the following

## Rules for Delivery of Stocks and Bonds, New York Stock Exchange

### Stocks

The signature to the assignment upon a certificate of stock must be technically correct, *i. e.*, it must correspond with the name

as written upon the face of the certificate in every particular, *without alteration or enlargement, or any change whatever.* "Mr.," "Messrs." or "Esq.," however, need not be prefixed or affixed to signatures.

"Brothers" must be endorsed exactly as drawn, not "Bros." and *vice versa.* All prefixes and affixes, such as "Judge," "Major," "Hon.," "Right Hon.," "Doctor," "M. D.," "D. D.," "Rev.," "LL. D.," etc., must appear in the endorsement.

"And" may be written "&," and *vice versa.*

"Company" may be written "Co.," and *vice versa.*

Certificates in the name of a MARRIED woman are not a good delivery *while the transfer books are open;* when the transfer books are closed a joint execution of the assignment, by the husband and wife and a joint acknowledgement before a Notary Public will make the certificate a delivery only during closing of transfer books.

The following form should be used:

State of..... } ss.
County of..... }

On this.....day of.....19..., be-

fore me came.....and.....her husband, both of them to me known, and they severally acknowledged that they executed the foregoing Assignment and Power of Attorney, for the purpose therein mentioned.

(SEAL)

Certificates in the name of an UNMARRIED woman or a WIDOW are a good delivery when the following form of acknowledgment is executed upon the back of the Certificate:

State of.....
County of..... } ss.

On this.....day of.....19..., before me personally came.....to me known and known to me to be an unmarried woman (or widow) and known to me to be the same person named in the within certificate of stock and described in and who executed the foregoing Assignment and Power of Attorney, and acknowledged to me that she executed the same for the purposes named.

(SEAL)

*The foregoing rule does not obtain when the prefix "Miss" appears upon the face and reverse of a Certificate.*

Powers of Attorney or of substitution or assignments, signed by Trustees, Guardians, Infants, Executors, Administrators, Agents or Attorneys, are not a good delivery.

When Transfer books are closed by any legal impediment, so as to render their being open again uncertain, Powers of Attorney must be acknowledged before a Notary Public, with seal and date.

An endorsement by a member of the Exchange, or a firm represented on the Exchange, on a Certificate, is considered a guarantee of the correctness of the signature of the party in whose name the Stock stands. In all cases where Powers of Substitution are used, the original Assignment and Power of Attorney, and each Power of Substitution, must be guaranteed by a member or a firm represented in the Exchange, resident or doing business in New York.

A detached Power of Attorney, or of substitution, must contain a full description of the Stock or Bond by name of Company, and number of certificate, and must be acknowledged or proved before a Notary Public, with seal and date. A separate power

and acknowledgment must accompany each certificate, as per form following:

Irrevocable Stock Power.

## Know All Men by These Presents

THAT .....
FOR VALUE RECEIVED, have bargained, sold, assigned and transferred, and by these presents do bargain, sell, assign and transfer unto .....
.....
Shares of the.....STOCK of the.....
.....
standing in.....name on the books of the said.....
.....
AND.....do hereby constitute and appoint .....
.....
.....true and lawful attorney, IRREVOCABLY, for.....and in.....name and stead, but to.....use, to sell, assign, transfer and make over all or any part of the said stock, and for that purpose to make and execute all necessary acts of assignment and transfer thereof, and to sub-

stitute one or more persons with like full power, hereby ratifying and confirming all that.....said Attorney or.....substitute or substitutes shall lawfully do by virtue hereof.

In Witness Whereof,.....have hereunto set.....hand and seal at..... the.....day of.....190

Witness .....(L.S.)

(*Notary's acknowledgment and seal.*)

State of.....
County of..... } ss

On this.....day of.....one thousand nine hundred and.....before me personally came.....
.....to me known, and known to me to be the same person described in and who executed the foregoing Assignment and Power of Attorney, and acknowledged that he executed the same for the purpose named.

In Testimony Whereof, I have hereunto subscribed my name, and affixed my seal of office, the day and year last above written.

.....Notary Public.

Certificates in the name of an institution, or in a name with title affixed, as Cashier,

President, or other official designation, are not a good delivery unless assignment is acknowledged before a Notary, with seal and date, who must certify that he knows the person signing, and knows him to be the person authorized, and that he has seen the minutes of the institution, authorizing said person to make the Assignment. Some Companies require, in addition, a certified copy of the resolutions of the Directors of the Company in whose name the Stock stands, authorizing the assignment, such as the Western Union Telegraph, the Companies having their Transfer Agencies at Grand Central Station and American Sugar Refining Company, etc.

The several Companies having Transfer Offices at Grand Central Station, Forty-second Street, require the Power on a Certificate, in the name of a *Foreign Resident,* to be acknowledged before a United States Consul, or before J. S. Morgan & Co., London.

A Certificate for more than 100 shares is not a good delivery. Certificates for less than 100 shares are a good delivery in lots of 100 shares. The receiver may in all cases

require delivery by Transfer, provided there be ample time to make it and the transfer books are open.

When a claim is made for a dividend on Stock after the transfer books have been closed, the party in whose name the Stock stands may require from the claimant presentation of the Certificate, and a written statement that he was the holder of the Stock at the time of the closing of the books, and also a guarantee against any future demand for the same.

## Bonds

Coupon Bonds issued to bearer, having an endorsement upon them not properly pertaining to them as Security, must be sold specifically as "Endorsed Bonds" and will not be regarded as a good delivery under a sale not so qualified.

Bonds with a stamp or endorsement stating that they have been deposited with States as security for Bank circulation or Insurance must be released and acknowledged before a Notary, and then are a good delivery only as "Endorsed Bonds."

If a definite name, such as John Jones,

John Brown, Chemical Bank, Denver Company, appears upon a Bond, it is regarded as implying ownership which must be released, with acknowledgment before a Notary. The Bond is then a good delivery only as an "Endorsed Bond." Bonds with assignments or releases executed by Trustees, Guardians, Infants, Executors, Administrators, Agents, or Attorneys, are not a good delivery as "Endorsed Bonds."

Coupon Bonds.—Delivery must be of the denomination of $1,000 or $500. Large Bonds (over $1,000) or Small Bonds (under $500) good only in special transaction.

Registered Bonds.—Deliveries must be in certificates not exceeding $10,000.

Coupons on a Bond must be those which properly belong to it, of the corresponding number. In case of absence of any Coupon, its full face amount in money is a good substitute, unless special notice is given to the contrary; provided, however, that in case of absence of a *past due* Coupon from a Bond of which any of the past due Coupons have been paid *with interest,* its full face value in money, with interest thereon to date of delivery, is only a good substitute.

Coupon Bonds which can be registered in a name or to Bearer, and which have been registered in a name, must be registered to Bearer to be a delivery. When transfer books are closed, if registered in a name, a Power of Attorney, acknowledged before a Notary, in name of, witnessed or guaranteed by a member, must accompany each Bond.

## Government Bonds (Registered)

The execution and acknowledgment of U. S. Registered Bonds, when not made at the Treasury Department, must be before a U. S. Judge, U. S. District Attorney, Clerk of a U. S. Court, Collector of Customs, Collector or Assessor of Internal Revenue, U. S. Treasurer or Assistant Treasurer, or the President or Cashier of a National Bank, or, if in a foreign country, before a U. S. Minister or Consul. In all cases the officer must add his official designation, residence and seal, if he has one.

When the assignment is made by a Corporation it must be named as the assignor; when by a Guardian, Trustee, Executor, Administrator, an Officer of a Corporation, or any one in a representative Capacity, proof

of his authority to act must be produced to the officer before whom the assignment is made and must accompany the bond.

## The Vital Question

### "Can I Make Money in Wall Street"

Everybody is asking this question, which is quite different from "WILL I MAKE MONEY IN WALL STREET IF I BEGIN TO SPECULATE?"

Frankly, you probably will follow the long procession of lambs, which is constantly going home shorn of all superfluous fleece, and sometimes partially skinned.

This has been the experience of four-fifths of the outside speculators during the last quarter of a century since I became familiar with *Wall Street Methods.*

You can never know the anxiety, wretchedness, misery, ruin and even deaths, that have resulted from rash speculation in *Wall Street.*

It is so easy to build "air castles," that are pyramided up to the skies in imagination, and founded on a constant movement of our

favorite stock,—that "fools rush in where angels fear to tread," and, without knowledge, experience, or proper guidance, trade in a haphazard way, depending on luck and tips for success.

Such a course will naturally fail in any pursuit. It can but fail sadly in *Wall Street,* where you must contend with the shrewdest, cunningest and most unscrupulous manipulators in the world.

You cannot hope to beat them at their own game. You can only expect to understand their methods, to foresee their plans and to move parallel with their movements.

If you will study to do this, it is quite possible, and even probable, that you can make money in *Wall Street,* and the object and purpose of this book is to keep you from losses and to guide you in your trades successfully.

If, therefore, you desire to stand a fair chance in the *Wall Streeet Game,* you must study this work as closely as an Astronomer reads the movements of the stars. You must master its teachings, understand its methods, and use good judgment and com-

mon sense in your trades. How otherwise can you hope for success?

Could you take the wheel of a vessel and guide it through Hell Gate? Could you lay out its course over the trackless ocean to another shore? Could you even make the common things of trade, a hat, a shoe, a shirt?

No, no. Your ship would run on the rocks, or sink beneath the waves, and your hat, shoe or shirt would be ruined and valueless.

How then can you expect safely to encounter the tides that carry stocks up or down, to overcome the hurricanes of panics and booms that destroy so many, or to avoid the SCYLLA and CHARYBDIS of the manipulators, each of whom, like the terrible goddess, has "twelve feet and six long necks with terrific heads, and three rows of huge teeth within each," and who stretch out these necks to catch the prey, and who, more grasping than Scylla, are not satisfied with one man from each ship that sails near them.

Take warning in time from the fate of others, and never take a risk in *Wall Street*

until you have prepared yourself by every means in your power to gain some small measure of success. And even then, begin as cautiously and conservatively as we have urged you to, in this book, and risk no money in margins, that you cannot afford to lose.

Remember that success is nearly as dangerous as failure. A few fortunate trades will tend to give you too much courage to take undue risks. They should, on the contrary, make you doubly cautious in your ventures.

Let confidence come to you only with knowledge. Then if, relying on the wisdom and experience you have gained from studying this work and from using the principles therein laid down, you find that you have at the end of a year a balance in your favor, you may act with greater confidence in your own ability to speculate successfully, and may look forward with considerable assurance, to a constantly increasing income.

With these words of advice and warning, this book is placed in your hands, with the hope that you will use it wisely for your best good.

## WALL STREET IDIOMS

**Accommodation Paper.**—A paper (note) which represents no real indebtedness, to be used to raise money, or as security.

**Arbitrage House.**—A house that deals in stocks which have different values in several markets at the same time.

**Averaging.**—Increasing an investment when the market goes against you, so as to make your total investment **average** less than your first one.

**Bale.**—A bundle of goods made up for storage or easy handling. A "bale of Cotton" means 500 pounds.

**Bank Clearings.**—The aggregate amount of checks and drafts exchanged between members of a Clearing House.

**Barrel.**—A barrel of pork means 200 pounds, although it contains only 190 pounds. A barrel of flour holds 196 pounds, of cured fish, 200 pounds. A barrel of liquids varies from forty to fifty gallons.

**Bear.**—One who favors lower prices.

**Big Four.**—The C. C. C. & St. L. railroad.

**Bill of Exchange.**—A draft on a person or bank in another place, for money in lieu of the same amount deposited with the drawer, or due from him.

**Block.**—A considerable number of shares or bonds traded on as a lump.

**Break.**—A quick, small drop.

**Bucket Shop.**—A broker who neither buys nor sells stock, but simply bets with customers on the market.

**Bulge.**—A sharp, small rally.

**Bull.**—One who favors higher prices.

**Buyer, 30.**—The buyer may demand his purchase within thirty days.

**Buy in.**—Purchase of property to fill a short sale, or to return borrowed certificates.

**Buying on a Scale.**—Buying more stock at regular changes in price.

**Call.**—A privilege to buy a certain number of shares, at a fixed price, in a limited time.

**Call Loans.**—Money loaned to be returned the day it is asked for, before the close of banking hours.

**Carrying Stock.**—Holding it for an advance.

**Clearing House.**—An organization established in 1892 to settle balances between members.

**Cliques.**—A combination to manipulate a deal.

**Clover Leaf.**—The Tol. St. L. and W.

**Coalers.**—Railroads, that, being miners and carriers, largely depend on the coal trade for profits, viz: Reading, D. L. & W., D. & H., Jersey Central, and Lehigh Valley.

**Commissions.**—Charges made for services rendered for buying, selling, obtaining, or handling property.

**Common Stock.**—The ordinary or least valuable stock in a corporation.

**Consols.**—Great Britain's bonded debt.

**Convertible Bonds.**—Bonds that can be exchanged at certain times under certain conditions for stock.

**Corner.**—A manipulated scarcity of any stock which has been oversold short.

**Cotton Future.**—An option on delivery of cotton in a future month, at a premium or discount.

**Cotton Contract.**—N. Y. Contract is for 50,000 pounds (gross) of U. S. cotton delivered at a fixed time, with five days notice, at seller's option from a New York licensed warehouse. The cotton must be classified and weighed by the Inspector-in-Chief of Cotton of the N. Y.

Cotton Exchange. This is not required under New Orleans Contract.

**Coupon.**—A printed slip attached to Coupon Bonds, showing amount of interest due on certain dates.

**Covering Shorts.**—Buying in to deliver stocks previously sold short.

**Cross Trades.**—A broker cannot fill a customer's orders from his own stock, or buy from a customer for his own account. But may sell for one customer and buy for another the same stock at the same price, using another broker to make the nominal trade. This is **Cross Trading.**

**Current Assets.**—(a) Cash on hand and on deposit; (b) loans and bills receivable; (c) accounts receivable; (d) due from other corporations and persons; (e) due from agents and officers; (f) advances to other corporations or persons; (g) sundry assets.

**Current Liabilities.**—(a) Loans and bills payable; (b) accounts payable; (c) pay rolls and vouchers; (d) interest and dividends accrued; (e) traffic balances due others; (f) sundry liabilities.

**Debenture Bond.**—Bond resting on no specific security. Really a note in bond form.

**Delivery.**—Stock or property offered to the buyer according to Exchange rules, is a "good delivery." If not so offered, the delivery is bad.

**Dividends.**—A share of profits paid to investors, or of assets paid to creditors.

**Drop.**—A decline in values.

**Flat.**—Without interest or premium.

**Flyer.**—A quick trade for small profit.

**Frozen Out.**—An irregular deal through which holders are forced to lose their interest in property.

**Futures.**—(See Options).

**Gilt-Edge.**—Any paper or stock that is undoubted.

**Goulds.**—The Properties supposed to be controlled by the Goulds, viz. M. O. P., St. L. & S. W., Tex. Pac., D. & R. G., R. G. & W., Wab., W. & L. E., Ann Arbor, Western Maryland, W. Va. Cent., and W. U. Telegraph.

**Grangers.**—Roads that depend largely on crop transportation for business, viz: C. & N. W., Ch. M. & St. P., R. I., and in general the principal lines West.

**Gunning.**—A concerted attack to break a stock either to reach **Stop Orders**, or to force certain holders to sell.

**Harriman Group.**—U. P., S. P., Ill. Cent., C. & A.

**Hedge.**—A change of trading to protect a previous trade from too great loss.

**Industrials.**—Sugar, U. S. Steel, Standard Oil, Tobacco, Leather, Rubber and in general shares of manufacturing companies.

**Liquidation.**—The selling of long stock, whether carried on Margins or actually owned.

**Listed and Unlisted Securities.**—Those that are or are not registered for members of the Exchange to trade in. The first railroad stock —the Mohawk and Hudson—was listed in 1830.

**Long.**—One who holds property for an advance.

**Margin.**—Value deposited to protect contracts.

**Monon.**—The Ch. Ind. & Louisville railroad.

**Morgan Group.**—Rdg., Jer. Cent., Lehigh Valley, S. R., and L. & N.

**Morgan-Hill Group.**—N. P., G. N., C. B. & Q., (Northern Securities) Erie, Ch. I. & L.

**Net.**—Clear of all charges, losses or deductions.

**Nickel Plate.**—The N. Y. Ch. and St. L. railroad.

**On Call.**—Money loaned to be returned be-

fore the end of banking hours, on the day it is demanded.

**Option.**—Property bought or sold subject to the demand of the holder of the option.

**Outsider.**—Not a regular trader.

**Pan Handle.**—The P. C. C. & St. L. railroad.

**Par.**—The equality of nominal and face values.

**Pegged.**—Held to prevent movement in a certain direction.

**Pennsylvania Group.**—The Pa. R. R., Pa. Co., P. C. C. & St. L., Pitts. H. W. & Ch., Cleveland & Pitts., W. N. Y. & Pa., L. I., N. & W., B. O., and Ches. & O.

**Pig.**—A mass of metal as extracted from ore, weighing from 50 to 250 pounds.

**Point.**—(a) In stocks $1 a share; (b) in cotton one-hundredth of a cent a pound; (c) in grain one cent a bushel; (d) a tip to buy or sell.

**Preferred Stock.**—Shares that have preference in claims over common stock, but come after bonded indebtedness. Preferred Stock usually has a certain dividend before the common can have any. Some Preferred Stocks have an accumulated dividend. That is, if all the dividend is not paid each year, all bal-

ances must be paid before any dividends can be paid on the common.

**Privileges.—Puts, Calls, Straddles and Spreads.**

**Puts.**—A Put is an option of selling certain property at a given price within a limited time, to the maker of the Put.

**Regular Stocks.**—Stock sold to be delivered and paid for under Exchange rules.

**Scalper.**—One who takes small profits.

**Seat.**—A membership in an Exchange. At first each Board member had his own seat.

**Seller, the Year.**—The seller can deliver the property bought, at any time within a year.

**Short.**—One who sells for a decline.

**Short Sales.**—Property sold for a decline.

**Speculation.**—Buying or selling property for a profit, without coming into actual possession, instead of for an investment.

**Split.**—A trade at a smaller fraction than the ordinary price quotations.

**Spread.**—A **Put** and a **Call** combined, in one **Privilege.**

**Squeezed.**—Shorts who can not borrow or buy stocks and who have to settle at artificially high prices.

**Stop Loss Order.**—An order for a broker to

close a trade on a certain movement, or at a fixed price.

**Straddle.**—Going long on one **option** and short of another.

**Tailer.**—A follower of a clique, or pool.

**Ticker.**—The Stock Indicator used to show trades on the Exchange. It was first used in 1867.

**Tierce.**—A cask of lard containing 340 pounds.

**Tractions.**—The leading street railroads like Man., Met., B. R. T., etc.

**Transcontinentals.**—U. P., S. P., Atch., N. P., Great Northern.

**Trunk Lines.**—Pa., N. Y. C., Erie, B. O., D. L. & W., etc.

**Trust.**—A combination formed to regulate the supply and price of certain lines of trade.

**Under the Rules.**—If a Stock Exchange member fails to meet calls for margins under the rules, the chairman sells or buys under the rules such securities as the member is delinquent on, and the member is charged with the difference in price obtained and that agreed on.

**Underwriting.**—One or more bankers agree

to take a certain amount of stocks or bonds at a given price. Subscription books are opened to sell to the public at a higher price. On all securities thus sold, the **underwriters** make the difference in price. All unsold securities are taken and paid for at the agreed price by the **underwriters.**

**Upset Price.**—The lowest price at which property can be sold.

**Vanderbilts.**—Those railroads supposed to be controlled by the Vanderbilts, viz: N. Y. Central, St. Paul, Mich. Central, Lake Shore, O. & W., Ches. & O., Canada Southern, Nickel Plate, B. & A., C. C. C. & St. L., N. Y. C. & St. L., L. E. & W., Ch. & N. W., Pitts. & L. E., and West Shore.

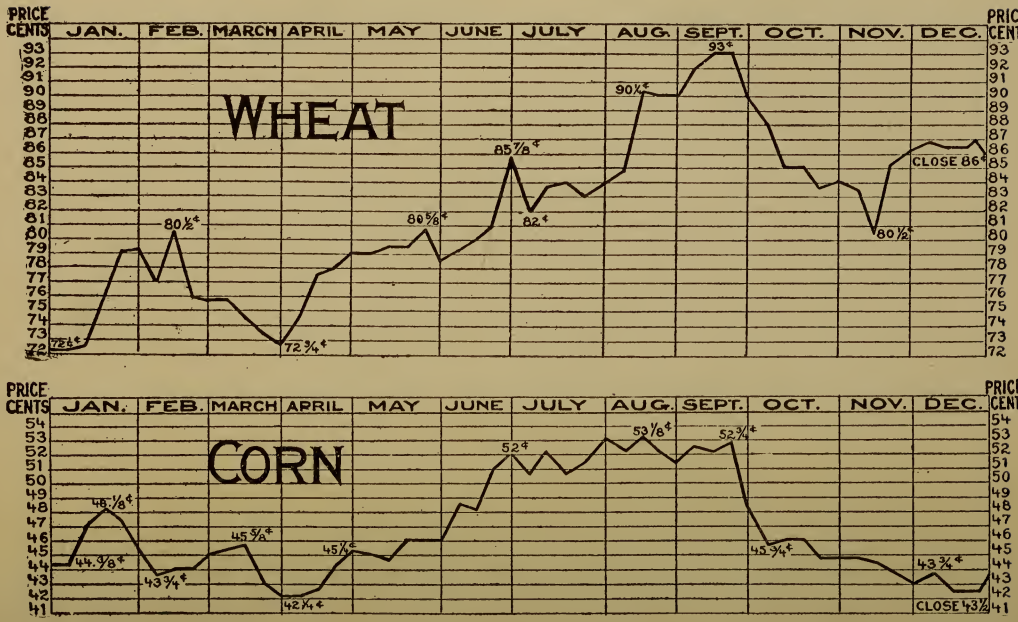
**Visible Supply.**—The amount of any article of merchandise available for immediate use.

**Wash Sales.**—Trades made on the floor of the Exchange with an understanding that they will not be carried out.

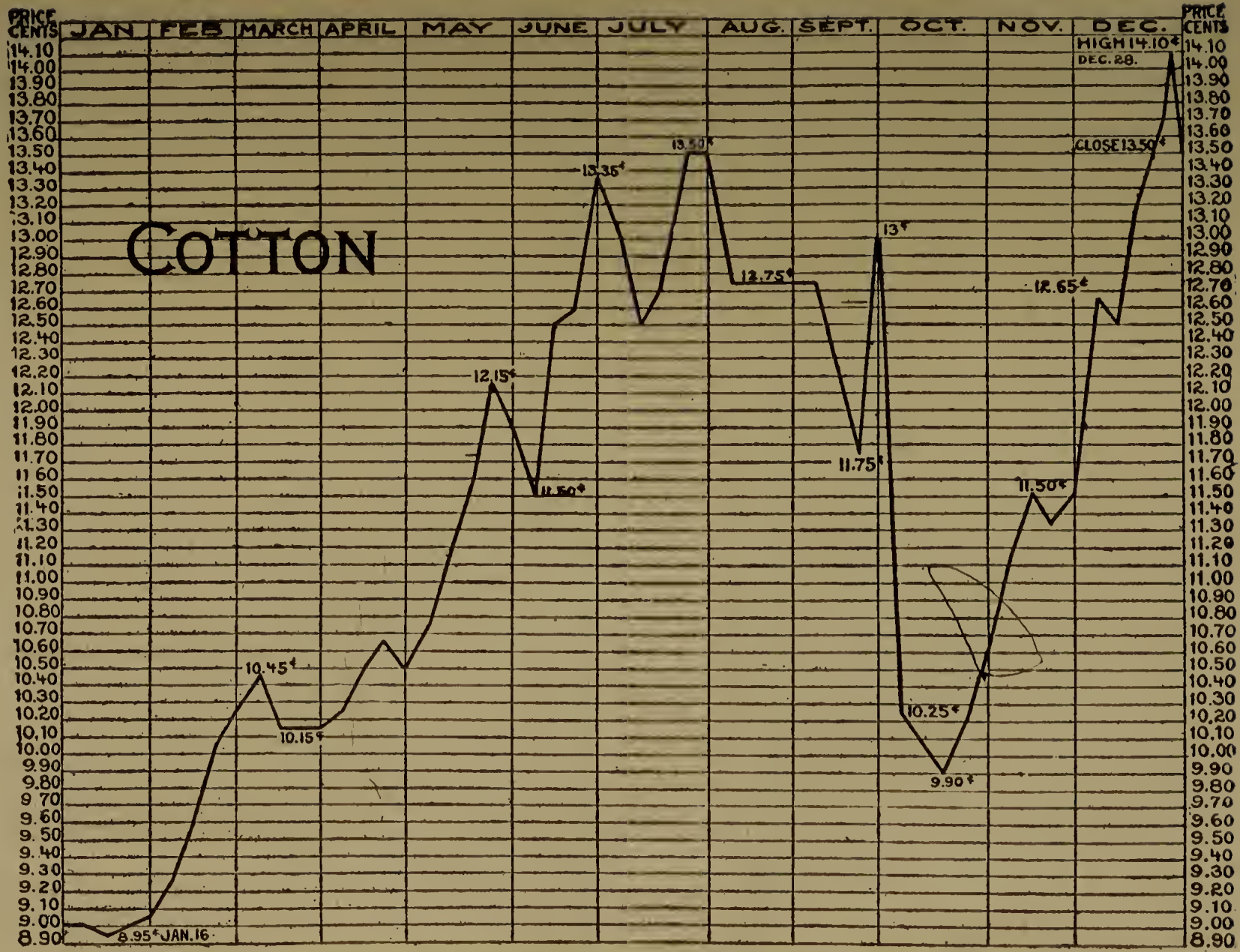
**Watered Stock.**—Stocks issued in excess of assets.

**Whipsawed.**—Losing whether stocks advance or decline. Buying at the top and selling at the bottom or *vice versa.*

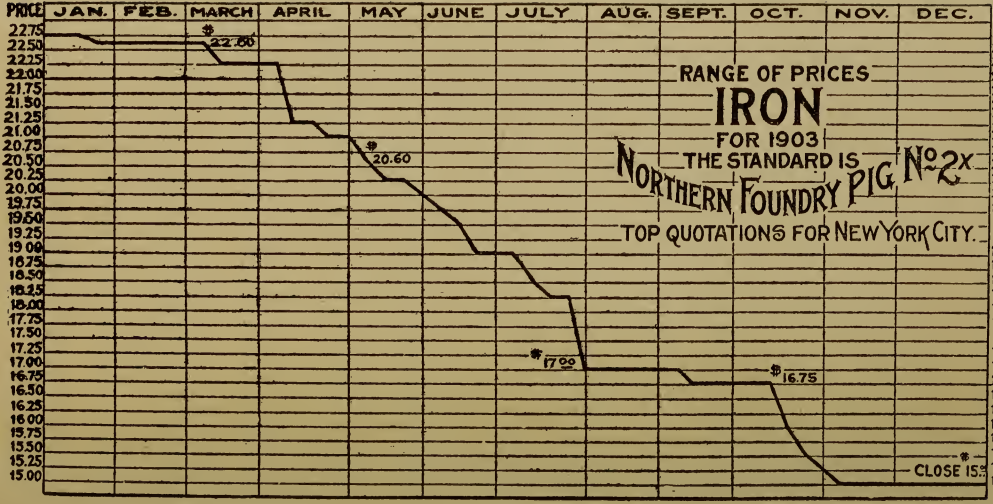
AVERAGE FLUCTUATIONS OF TWENTY LEADING STOCKS

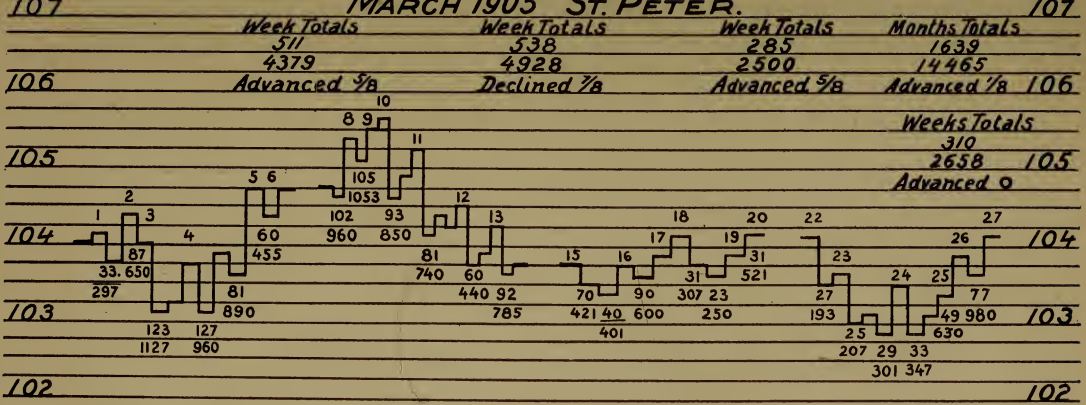



FLUCTUATIONS OF CORN AND WHEAT IN 1903




Range of Top Prices for Cash Cotton (Middling Uplands) During 1903, in the New York Market.


PRICE
JAN.
FEB.
MARCH
APRIL
MAY
JUNE
JULY
AUG.
SEPT.
OCT.
NOV.
DEC.
PRICE
22.75
22.50
22.25
22.00
21.75
21.50
21.25
21.00
20.75
20.50
20.25
20.00
19.75
19.50
19.25
19.00
18.75
18.50
18.25
18.00
17.75
17.50
17.25
17.00
16.75
16.50
16.25
16.00
15.75
15.50
15.25
15.00
$ 22.50
$ 20.60
$ 17.00
$ 16.75
$ CLOSE 15.25
RANGE OF PRICES
IRON
FOR 1903
THE STANDARD IS
NORTHERN FOUNDRY PIG, No 2X
TOP QUOTATIONS FOR NEW YORK CITY.




A SAMPLE CHART PAGE

# Range of Prices of Active Stocks on the Stock Exchange

| NAME AND ABBREVIATION | | | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Amalgamated Copper | A. C. P. | High | | | | | | | | 99½ | 130 | 79 | 75⅝ |
| | | Low | | | | | | | | 89¾ | 60½ | 53 | 33⅝ |
| American Sugar Refining Co. | S. | High | 134¾ | 114⅞ | 121⅜ | 126⅝ | 159½ | 146⅞ | 182 | 149 | 153 | 135⅛ | 134⅜ |
| | | Low | 61¾ | 75⅝ | 86½ | 95 | 109⅛ | 107½ | 114½ | 95¼ | 103⅛ | 113 | 107⅛ |
| Do. Preferred | S. PR. | High | 104½ | 109⅝ | 107 | 105½ | 121½ | 116 | 123 | 118 | 130 | 122 | 123 |
| | | Low | 66½ | 79¾ | 90¼ | 92¼ | 100¼ | 103 | 110 | 107 | 111 | 115 | 116 |
| Atchison, Topeka & Santa Fe Ry. | A. | High | 36½ | 16 | 23⅝ | 18 | 17 | 19⅝ | 24⅞ | 48¾ | 91 | 96⅝ | 89⅞ |
| | | Low | 9½ | 3 | 3½ | 8¼ | 9⅛ | 10¼ | 17 | 18⅝ | 42½ | 74¼ | 54 |
| Do. Preferred | A. PR. | High | | | 36½ | 28⅛ | 35½ | 52½ | 68⅛ | 89⅛ | 108 | 106⅛ | 103½ |
| | | Low | | | 16 | 14⅛ | 17 | 22⅞ | 50⅝ | 58¼ | 70 | 95 | 84⅜ |
| Baltimore & Ohio | B. O. | High | 97⅞ | 81½ | 66¾ | 44 | 21⅛ | 72¾ | 61½ | 89⅞ | 113 | 118½ | 104 |
| | | Low | 54½ | 58⅜ | 32½ | 10½ | 9 | 12⅜ | 43⅞ | 55¼ | 81¾ | 92⅝ | 71⅝ |
| Do. Preferred | B. O. PR. | High | | | | | | | 85½ | 90 | 97 | 99⅛ | 96¾ |
| | | Low | | | | | | | 67½ | 72¾ | 83¾ | 92 | 82¾ |
| Brooklyn Rapid Transit Co. | B. | High | | | | 25⅛ | 37⅝ | 78⅞ | 137 | 88⅞ | 88⅞ | 78 | 71⅛ |
| | | Low | | | | 18 | 18⅝ | 35 | 61 | 47⅛ | 55⅞ | 54¾ | 29½ |

| NAME AND ABRREVIATION | | | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Chicago, Milwaukee & St. Paul | S. | High | 83½ | 67⅜ | 78⅞ | 80 | 102 | 120¾ | 136⅛ | 148¼ | 188 | 198¾ | 183¼ |
| | | Low | 46⅜ | 54¼ | 53⅞ | 59⅞ | 69¼ | 83¼ | 112 | 108½ | 134 | 160½ | 133¼ |
| Do. Preferred | S. PR. | High | 126 | 123½ | 130 | 131 | 146 | 166½ | 179 | 187½ | 200 | 200¾ | 194¼ |
| | | Low | 100 | 116 | 114¾ | 117½ | 130½ | 140 | 165 | 169 | 175 | 175¼ | 168 |
| Consolidated Gas of N. Y. | G. | High | 144 | 140 | 161½ | 168 | 241½ | 205½ | 223¼ | 201 | 238 | 230¾ | 222 |
| | | Low | 108 | 111 | 126 | 133 | 136½ | 164 | 163 | 164 | 187 | 205 | 164 |
| Erie Railroad Company | E. | High | | | | 17¾ | 19 | 16¼ | 16¼ | 27⅛ | 45½ | 44⅝ | 42⅝ |
| | | Low | | | | 10¼ | 11½ | 11 | 10 | 10½ | 24½ | 28⅝ | 22⅞ |
| Do. First Preferred | E. 1st Pr. | High | | | | 41¾ | 46⅝ | 43⅜ | 42 | 63½ | 75 | 75¾ | 74 |
| | | Low | | | | 27 | 27 | 29¼ | 27⅞ | 30⅜ | 59¾ | 60½ | 62½ |
| Do. Second Preferred | E. 2d Pr. | High | | | | 25 | 25⅝ | 21⅜ | 22½ | 43¼ | 62¾ | 63¾ | 64⅞ |
| | | Low | | | | 13 | 15½ | 15½ | 15½ | 15 | 39¼ | 41½ | 44 |
| General Electric Co. | G. E. | High | 114¼ | 45⅛ | 41 | 39½ | 41⅜ | 50½ | 132 | 200 | 289¾ | 334 | 204 |
| | | Low | 30 | 30⅜ | 20 | 20 | 28⅝ | 29¼ | 95⅛ | 120 | 183½ | 170 | 136 |
| Illinois Central Railroad Co. | I. L. | High | 104 | 95¼ | 106 | 98 | 110¾ | 115⅜ | 122 | 132¾ | 154¾ | 173½ | 151 |
| | | Low | 86 | 82¾ | 81⅛ | 84⅛ | 91½ | 96 | 105½ | 110 | 124 | 137 | 125⅛ |
| Louisville & Nashville R. R. | L. | High | 77⅜ | 57⅜ | 66⅛ | 55⅝ | 63⅞ | 65¼ | 88⅜ | 89 | 111¾ | 159½ | 130½ |
| | | Low | 39¾ | 40⅞ | 39 | 37⅛ | 40⅛ | 44 | 63 | 68¾ | 76 | 102½ | 95 |

| NAME AND ABREVIATION | | | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Manhattan Elevated Ry. | M. | High | 174¾ | 127⅜ | 119⅞ | 113½ | 113 | 120¼ | 133⅜ | 116⅞ | 145 | 158 | 155½ |
| | | Low | 100 | 102¼ | 95 | 73¼ | 81¾ | 90 | 85¼ | 84 | 83 | 128 | 126¼ |
| Metropolitan Street Ry. Co. | M. R. | High | | | | | 133½ | 194¾ | 269 | 182 | 177 | 174 | 142⅞ |
| | | Low | | | | | 99¾ | 125¼ | 147 | 144¾ | 150 | 135 | 99⅞ |
| Missouri, Kansas & Texas Ry. | K. | High | 16 | 16⅝ | 19 | 14¾ | 16⅞ | 14¼ | 14⅞ | 17⅛ | 35⅜ | 33⅞ | 30⅛ |
| | | Low | 8 | 12 | 9¼ | 9¼ | 10 | 10 | 9½ | 9 | 15 | 22½ | 15½ |
| Do. Preferred | K. PR. | High | 28⅜ | 27⅛ | 41 | 31⅛ | 42 | 41 | 45¼ | 47½ | 68⅝ | 69¾ | 63½ |
| | | Low | 13⅜ | 18⅞ | 18¼ | 16 | 24¾ | 28¾ | 28⅜ | 25⅝ | 37 | 50¾ | 33 |
| Missouri Pacific Ry. Co. | M. P. | High | 60 | 32½ | 42½ | 29¾ | 40¼ | 46¼ | 52½ | 72½ | 124½ | 125½ | 115⅞ |
| | | Low | 16½ | 18¼ | 18⅝ | 15 | 10 | 22 | 33 | 38⅜ | 69 | 96¾ | 85¾ |
| New York Central & Hudson R.R.R. | CEN. | High | 111½ | 102½ | 104⅝ | 99⅛ | 115½ | 124⅞ | 144¾ | 145⅜ | 174½ | 168⅞ | 156 |
| | | Low | 92 | 95¼ | 90 | 88 | 92½ | 105 | 120 | 125⅝ | 139⅜ | 147 | 112⅝ |
| NewYork,Ontario & Western Ry. | O. W. | High | 19¾ | 17¾ | 19¼ | 16⅝ | 20½ | 19⅛ | 28⅞ | 32¼ | 40½ | 37⅝ | 35¼ |
| | | Low | 11 | 14 | 11¾ | 11⅛ | 12¾ | 13⅜ | 18⅜ | 18¼ | 24 | 25¼ | 19 |
| Norfolk & Western Ry. | N. | High | 9¾ | 9½ | 6½ | 12¾ | 17¼ | 19⅜ | 28⅝ | 45¾ | 61⅜ | 80¾ | 76¼ |
| | | Low | 5⅛ | 4 | 1¼ | ⅛ | 9 | 11½ | 17⅜ | 22⅝ | 42 | 55 | 53⅝ |
| People's Gas Light & Coke Co. | P. O. | High | | | | | 97⅝ | 112 | 129½ | 111½ | 120½ | 109½ | 108⅜ |
| | | Low | | | | | 91 | 86½ | 90½ | 81⅝ | 95¾ | 97 | 87⅝ |

| NAME AND ABBREVIATION | | | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Pressed Steel Car Co. | PR. S. | High | | | | | | | 61 | 58¾ | 54 | 63½ | 65¾ |
| | | Low | | | | | | | 44¾ | 32½ | 30 | 38½ | 22⅜ |
| Do. Preferred | PR. S. PR. | High | | | | | | | 91 | 89⅛ | 89 | 96½ | 95 |
| | | Low | | | | | | | 75 | 70¾ | 72½ | 82¼ | 82½ |
| Pennsylvania Railroad Co. | PA. | High | 55½ | 52⅛ | 57¼ | 54¾ | 59⅜ | 61⅜ | 70 | 140½ | 161½ | 170 | 157⅝ |
| | | Low | 46⅝ | 48 | 48¾ | 49¾ | 51⅝ | 55⅜ | 61 | 124⅜ | 137 | 147 | 110¾ |
| Reading Co. | RG. | High | 53¾ | 23⅜ | 22⅝ | 31¾ | 29¼ | 23⅝ | 25 | 26 | 58 | 78½ | 69¾ |
| | | Low | 12 | 13⅛ | 4⅝ | 2⅜ | 16¾ | 15½ | 15½ | 15 | 24½ | 52¼ | 37½ |
| Do. First Preferred | RG. 1st PR | High | | | | | 57¾ | 54⅜ | 68½ | 71⅞ | 82⅞ | 90¼ | 89⅞ |
| | | Low | | | | | 38½ | 36 | 42¼ | 49 | 65 | 79⅞ | 73 |
| Do. Second Preferred | RG. 2d PR. | High | | | | | 35⅞ | 29 | 38¼ | 39⅛ | 64½ | 80⅞ | 81 |
| | | Low | | | | | 22½ | 17¾ | 22¼ | 23⅝ | 38 | 60 | 55¾ |
| Republic Iron & Steel Co. | RBC. | High | | | | | | | 33⅞ | 27½ | 24 | 24¾ | 22⅝ |
| | | Low | | | | | | | 16½ | 8¾ | 11¾ | 15⅝ | 5½ |
| Do. Preferred | RBC. PR. | High | | | | | | | 79 | 70¾ | 82 | 83⅜ | 80⅜ |
| | | Low | | | | | | | 60⅛ | 49 | 55¼ | 68 | 36¾ |
| Southern Pacific Co. | S. P. | High | 35¼ | 25 | 26⅜ | 22¼ | 23⅛ | 35 | 44¼ | 45¾ | 63⅝ | 81¼ | 68¼ |
| | | Low | 17½ | 17½ | 16¾ | 14 | 13½ | 12 | 27 | 30⅜ | 18 | 56 | 38½ |

| NAME AND ABBREVIATION | | | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Southern Ry. Co. | S. R. | High | | 14 7/8 | 14 7/8 | 11 3/4 | 12 1/4 | 10 3/4 | 14 1/4 | 23 3/8 | 35 3/4 | 41 3/8 | 36 7/8 |
| | | Low | | 10 3/8 | 7 | 6 1/2 | 7 | | 10 | 10 5/8 | 18 | 28 | 16 1/2 |
| Do. Preferred | S. R. PR. | High | | | | | | | | | | 98 1/2 | 96 |
| | | Low | | | | | | | | | | 89 3/4 | 69 1/2 |
| Tennessee Coal & Iron Co. | T. I. | High | 37 3/8 | 20 7/8 | 46 5/8 | 34 3/4 | 35 1/8 | 38 3/4 | 126 | 104 | 76 5/8 | 74 7/8 | 68 3/8 |
| | | Low | 10 1/4 | 14 | 13 1/4 | 13 | 17 | 17 | 36 | 49 | 49 3/8 | 49 1/2 | 25 7/8 |
| Texas & Pacific Railway Co. | T. | High | 11 | 10 7/8 | 14 3/8 | 12 | 15 | 20 1/8 | 25 5/8 | 26 3/4 | 52 1/4 | 54 3/4 | 43 5/8 |
| | | Low | 4 3/4 | 7 | 6 7/8 | 5 | 8 | 8 7/8 | 12 1/4 | 13 1/8 | 23 1/4 | 37 | 20 1/4 |
| Union Pacific Railroad Co. | U. | High | 42 5/8 | 22 1/2 | 17 1/2 | 12 1/2 | 27 3/4 | 36 1/2 | 51 1/2 | 81 3/8 | 133 | 113 1/4 | 104 5/8 |
| | | Low | 15 1/4 | 7 | 4 | 3 1/2 | 4 1/2 | 23 | 38 1/8 | 44 3/8 | 76 | 93 1/2 | 65 3/4 |
| Do. Preferred | U. PR. | High | | | | | | 74 3/8 | 84 1/2 | 85 3/8 | 99 1/2 | 95 | 95 1/4 |
| | | Low | | | | | | 57 7/8 | 66 1/4 | 70 1/2 | 81 5/8 | 86 5/8 | 85 1/2 |
| United States Leather Co. | L R. | High | | 11 3/8 | 24 3/4 | 11 7/8 | 10 | 8 7/8 | 40 7/8 | 19 | 16 5/8 | 15 1/4 | 15 1/4 |
| | | Low | | 8 | 7 | 5 1/2 | 6 1/4 | 5 1/4 | 5 3/4 | 7 3/4 | 7 3/4 | 10 1/2 | 6 |
| Do. Preferred | L. R. PR. | High | | 68 3/4 | 97 3/4 | 69 1/8 | 72 | 75 1/2 | 84 1/2 | 79 1/4 | 83 3/4 | 91 1/4 | 96 3/4 |
| | | Low | | 52 1/2 | 58 | 41 1/2 | 50 | 53 3/4 | 64 1/2 | 65 | 69 1/2 | 79 7/8 | 71 3/8 |
| U. S. Realty & Construction Co. | R. C. | High | | | | | | | | | | 32 | 28 1/2 |
| | | Low | | | | | | | | | | 20 | 4 |

| NAME AND ABBREVIATION | | | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| U. S. Realty & Const'n Co. PR. | R. C. PR. | High | | | | | | | | | | 75½ | 73 |
| | | Low | | | | | | | | | | 64½ | 30¼ |
| United States Steel Corporation | U. S. S. | High | | | | | | | | | 55 | 46⅞ | 39⅞ |
| | | Low | | | | | | | | | 24 | 29¾ | 10 |
| Do. Preferred | U. S. S. PR. | High | | | | | | | | | 101⅞ | 97¾ | 89¾ |
| | | Low | | | | | | | | | 69 | 79 | 49¾ |
| Wabash R. R. Co. | WA. | High | 12¾ | 8½ | 10½ | 8 | 9¾ | 9⅛ | 8⅞ | 14 | 26 | 38⅞ | 32¾ |
| | | Low | 5¾ | 5¾ | 5 | 4½ | 4⅝ | 6¼ | 6½ | 6½ | 11⅛ | 21¾ | 16⅝ |
| Do. Preferred | WA. PR. | High | 26¼ | 18⅝ | 26½ | 19¾ | 24⅜ | 24¼ | 25½ | 27 | 46⅛ | 54½ | 55¼ |
| | | Low | 10 | 12½ | 12⅜ | 11 | 11½ | 14¼ | 19 | 16 | 23¾ | 37 | 27½ |
| Western Union Telegraph Co. | W. | High | 101 | 92½ | 95⅜ | 90¼ | 96¾ | 95⅞ | 98¼ | 88½ | 100¼ | 97½ | 93 |
| | | Low | 67⅛ | 80⅞ | 82½ | 72¾ | 75⅜ | 82¼ | 82 | 77½ | 81 | 84¾ | 80¼ |
| Westinghouse Elect. & Mfg. Co. | WX. | High | | | | | | | | | | | 224 |
| | | Low | | | | | | | | | | | 160 |

In order to be permanently prominent in *Wall Street,* one must be more than a mere speculator, promoter, or banker. He must be a FINANCIER in the true sense of the word, ready to know and to seize the golden opportunities offered by the changing times, and to master them.

Then the golden touch of Midas will be his, the masses will follow his lead, hang on his words and help to increase his successes.

The enormous natural resources of this country have offered the greatest opportunities for the development and improvement of transportation and manufactures, and the foremost leaders of *Wall Street* have been those who have foreseen future growth and greatness, and even when all things seemed to portend evil, have assumed the burden of reorganizing, combining, developing and improving properties of intrinsic value, and have so handled them as to bring success out of failure, and profit out of loss.

Some of these leaders have amassed fabulous fortunes, supposed to run up into hun-

dreds of millions, and, at least, greater than our imagination can picture.

In every profession or business, it is the *optimist* who gains great and lasting success. Values added by improvements, developments, and combinations are real values, from which depression can only temporarily detract.

The men who have gained and retained great power and wealth in *Wall Street,* have been those who believed in a bright future, and who helped to make the sun of success shine on the Nation.

## The Vanderbilts

The Vanderbilt family control several railroads called "The Vanderbilts." The man who founded the family and their fortunes, was Cornelius, known as Commodore, Vanderbilt.

Beginning his business career as owner of a little row boat, by his genius and energy he soon controlled a large fleet of ferryboats and steamers, doing an immense business.

He then foresaw the more profitable field of operations in railroad development, and

secured control of the Harlem Railroad. The New York aldermen granted him a franchise for a road up Broadway. The stock was put on the market and at once rapidly advanced. The aldermen and their friends sold several hundred thousand shares short, and then repealed the franchise. The Commodore knew what was going on, and quietly but rapidly advanced the prices nearly double. The Aldermen and their friends were caught in a trap and lost millions which went into the Commodore's treasury.

In the same way he met the tricks of the Legislature and, as he said, "Busted the whole Legislature and made them go home without even paying their board bills."

It took five or six millions to do this, but he cornered the stock and could have put it where he pleased; but finally settled with the shorts at $285 a share, for stock that sold at first at about $3 a share.

His son, William H. Vanderbilt, inherited his father's ability and energy, and was associated with the Commodore in building up the Staten Island Railroad, the Harlem Road and the Hudson River Railroad.

He, however, had more taste for development and improvement than for speculation, and was so successful that, at his death, he left about $200,000,000 to his heirs.

His children were in full sympathy with their father and have carried out his plans, or have so changed them to suit the changing times, that the so-called Vanderbilt system now includes seven large railroads together with many minor properties.

The public confidence in the honest and able management of this system by the family, has always made the stocks stand well with those who look for safe investments rather than for speculative profits.

## The Goulds

Another family that have grown into sufficient prominence to give their name to a system of railroads stretching far and wide over the country, is that founded by Jay Gould.

This remarkable man began his business career under most adverse circumstances. His idea from the first was to manage his own business. He studied surveying, made maps of a county, wrote its history, pub-

lished the book and sold it personally to the people.

He soon accumulated a few thousand dollars and came to New York, where he married the daughter of a wealthy merchant. His father-in-law was interested in a railroad that was in a bad way. Gould bought his stock, and gained control of the road, which he proved to be valuable, and which he sold at considerable advance.

This experience gave him the key to his future success. After a few more speculative investments, he gained control of the great Erie System, which gave him a solid foundation, and enabled him to acquire substantial interests in such systems as the Missouri Pacific, the Wabash and others, as well as in the most important telegraph line (the Western Union) in this country, and in the Manhattan Elevated of New York.

His contest with Commodore Vanderbilt for possession of Erie, and with Cyrus W. Field for the Manhattan Elevated, are matters of history.

To what extent he might have carried his control of transportation is uncertain,

as his fertile brain and unceasing activity caused his death before his plans culminated.

Jay Gould left a remarkable family. At home he was a devoted husband and loving father, and his children cultivate and respect his memory.

George J. Gould, his oldest son, had been placed in positions of trust and responsibility by his father, in order to fit him to take up the burden of management when it should fall to him. His wise control of the great properties left by his father, largely increased their value, until probably they are worth more than three times as much as they were when his father died.

His knowledge of the details of the great lines he controlled was wonderful, and yet he seemed to carry them quietly and without undue burdens. "The Goulds" include the great systems of the Missouri Pacific, Texas Pacific, the Wabash, and the South Western Pacific roads, together with the Western Union Telegraph Company, and a large interest in the Manhattan Elevated.

## J. Pierpont Morgan

Mr. Morgan comes of an old wealthy

family, and succeeded to the banking business of his father, with several millions capital.

Naturally his standing was good at first, but he was not satisfied to simply rest on his father's reputation.

He soon became master of his line of business and was the most successful organizer of railroads that this country has ever known. Road after road was placed in his hands, almost, if not quite bankrupt, and, by his skilful management, was put in good condition for its owners.

He knew how to handle men as well as railroads, and, to a wonderful degree gained the confidence of bankers as well as investors, so that his name, attached to a proposition, ensured its success.

His best known work was the organization of the United States Steel Corporation, which controls a large part of the iron ores and their products in the United States. It was, no doubt, founded wisely and is destined to be one of the greatest Corporations in the world, although at times depressed by changes of business relations.

Mr. Morgan's leading idea in these organizations, was to prevent ruinous competition, to secure economy of management, to produce the best results, and thus to serve the public at fair prices.

He combined the great Northern, Northern Pacific and Burlington Railroads by means of the Northern Securities Company, which would undoubtedly have benefited the roads and the territory through which they run, through the real advantage of working in harmony with each other at a decreased cost.

## John D. Rockefeller

The life of John D. Rockefeller reads like a fairy story. A poor boy without great advantages, but with the greatest talent for organizing and managing, seized the opportunity and became in a few years, the richest man in the world, with wealth so great and financial power so unlimited, that he was given credit whether deserving it or not, for nearly every prominent financial movement.

Everything he undertook seemed to pour increasing riches on him and his associates.

He was best known by his control of the Standard Oil Company, but gradually extended his sphere of influence until his power was felt in leading railroads like the New York Central, St. Paul, Missouri Pacific, Pennsylvania and others.

For many years he was an invalid, but his mental energies seemed to have been strengthened by his physical weakness.

He was not much known in public, being naturally of a retiring disposition, and was seldom seen at the meetings of the Boards of Directors of which he was a member.

His gifts for public purposes were second only to Carnegie's. He was a prominent Baptist, and gave millions to their schools and colleges.

His son, John D. Rockefeller, Jr., inherited his father's ability and soon proved himself competent to manage his vast properties.

It is a strange sight to see a young man, the possessor of millions and heir to unknown wealth, leading a Sunday School Class week after week and using his position and wealth for the benefit of young men.

## James R. Keene

James R. Keene was born in England and came here when only seventeen. He became a lawyer in San Francisco, and gained valuable information in regard to mines from suits which he carried on.

A few hundred dollars invested in mining stock, gave him a small fortune, and led him into speculation. He took the bear side of the market and his aggressive tactics soon made him famous as a leader, and gave him a few millions profit.

When the panic of 1873 came on, he began buying good securities, and, in 1880, had made many millions from his speculations.

He engineered a corner in wheat, but was not properly supported by his associates. The corner broke and his brokers sold him out with a loss of several millions.

He has been on both sides of the market, according as his judgment indicated the principal movement to be up or down, and, during the bull market that culminated in 1902, greatly increased his fortune, which is supposed to be more than $30,000,000.

## Andrew Carnegie

Andrew Carnegie was a Scotchman with all of the sturdy honest qualities of that great race, combined with the active energy of American life.

At seven he was a messenger boy in this country. A few years later he was a telegraph operator. He did well everything he undertook to do, but always looked higher.

When he became connected with the steel and iron industries, he saw that steel would be king, long enough at least for him to gain a fortune. He therefore devoted himself to building up an enormous business in the manufacture of steel and iron.

His success was phenomenal and proved his good judgment as well as his good management. He became the head of that industry in this country.

He was never known as a speculator or banker, but *Wall Street* supplied him with the money to gain control of and to perfect his plants, and *Wall Street,* through the organization of the Steel Trust by J. Pierpont Morgan, bought his properties at a valuation that made him one of the richest

men in the world, with secure investments, out of the reach of speculation.

Mr. Carnegie was an easy writer and his pen contributed much to the discussion of political economy. He believed in disposing of his riches before he died, and was kept busy endowing libraries, schools, and colleges, and in other gifts to the people here and abroad.

## Russell Sage

While many of our richest men have gained their wealth by ventures in stocks and bonds, or by developing and improving properties that had not been well managed, our country, by its remarkable development in commerce and trade, offers wonderful opportunities to those who study the conditions that underlie prosperity.

There are many also, who, by controlling large amounts of money, have been able to take advantage of good investments and of the demands for cash, and to safely acquire enormous profits.

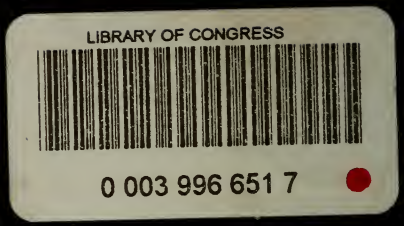
Perhaps the most remarkable example of this class, is Russell Sage, who, for about half a century, was a power on *Wall Street.*

Beginning life as a poor boy, he early learned the value of money, and, by always spending less than he earned, soon had a few hundred dollars capital. The money, however, was of less value to him, than the habit he had acquired of always living within his income, and, as his wealth increased he became known as the great money lender of *Wall Street* and was noted as a seller of "privileges," which he usually sold with a judgment that proved profitable. He probably controlled more ready money than any other man in America.

He was a Presbyterian and lived a simple, honest, upright life, free from the weaknesses and follies that too often characterize great wealth.

While he never attempted to control large corporations, he studied their conditions and thus made wise investments.

He was seldom known to contribute much to charitable purposes, but Mrs. Sage was greatly devoted to such work, and was associated with Miss Helen Gould in many good enterprises.


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